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# THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS OF  
THE BRITISH COMMONWEALTH

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- The Empire and the Crisis
- Parties and Politics in India
- President Roosevelt's Tight Rope

AND THE QUARTERLY REVIEWS OF AFFAIRS IN  
CANADA AUSTRALIA NEW ZEALAND  
SOUTH AFRICA GREAT BRITAIN

MARCH 1937

FIVE SHILLINGS

THE ROUND TABLE is a co-operative enterprise conducted by people who dwell in the different parts of the British Commonwealth, and whose aim is to publish once a quarter a comprehensive review of Imperial politics, free from the bias of local party issues. To this is added a careful and impartial treatment of outstanding international problems that affect the nations of the Commonwealth. The affairs of THE ROUND TABLE in each portion of the Commonwealth are in the hands of local residents, who are responsible for all articles on the politics of their own country. It is hoped that in this way THE ROUND TABLE serves to reflect the current opinions of all parts about Imperial problems, and at the same time to present a survey of them as a whole, in the light of changing world conditions.

# THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS  
OF THE BRITISH COMMONWEALTH

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# CROWN, CONSTITUTION AND COMMONWEALTH

## I. THE KING AND HIS MINISTERS

BETWEEN the first appearance in the English papers of any overt reference to King Edward's wish to marry Mrs. Simpson, and his signing of his instrument of abdication, eight days elapsed. So quickly did the crisis, as the general public knew it, come and go. Actually it was the culmination of events stretching back over several years. It was not until the summer and autumn of 1936, however, that the King's association with Mrs. Simpson became the object of a growing flood of scurrilous and banal gossip, originating in the less reputable American papers, and inevitably seeping into the countries of the Commonwealth. Political and press circles in Great Britain and the Dominions were far from ignorant of what was passing; indeed, the affair was a common topic of conversation in clubs and drawing-rooms all through that period, and more especially after October 27, when Mrs. Simpson's suit for divorce at the Ipswich Assizes gave colour to the rumour, previously derided, that a marriage was in contemplation. Yet the press was uniformly silent: not because it had been bought or censored or persuaded, or was afraid or prudish or obscurantist, but because editors and proprietors hoped that the rumours would prove false, the trouble would blow away, and everyone would be able to congratulate himself on having saved the Monarchy from the vulgar and damaging publicity inflicted on it in the United States. Some commentators now claim that "had the disclosure been gradual and accompanied by sober comment, the King himself would have been warned of the extraordinary

## CROWN, CONSTITUTION AND COMMONWEALTH

difficulties of the course he had in mind, and it is more than probable that a solution would have been found without any broadcasting of what had passed between him and the Prime Minister". \* But the only "solution"—in the circumstances as we now know them—was the one that was almost unanimously rejected as soon as it was proposed. Even if it had commended itself to public opinion at the time, it would have left behind a rankling sore and damaged the Monarchy beyond repair. It is easy to be wise after the event; but the silence of the press must seem in retrospect to have been as fortunate in saving us from such a "solution"—if that indeed was its effect—as it was in shortening the actual period of crisis. Certainly, once the newspapers had adopted their policy of abstinence it was extremely difficult for them to reverse it, in the absence of an occasion provided by some public utterance or official statement.

The actual occasion was a peculiar one. In the course of an address to his diocesan conference on December 1, the Bishop of Bradford discussed the religious aspect of the Coronation, and incidentally remarked that it was to be hoped the King was aware of his need for God's grace. "Some of us wish he gave more positive signs of his awareness". The next day a number of provincial newspapers, led by the *Yorkshire Post* (which, as the Bishop's leading local journal, was likely to deal with any important utterance that might fall from him), commented outspokenly on this remark, and by December 3 the whole press was full of news and opinion on the King's relations with Mrs. Simpson. The Bishop of Bradford afterwards declared that when he composed his address he had not even heard of the rumours about those relations, and that he had been referring only to the King's apparent indifference to the public practice of religion. The loosing of the flood-gates of publicity was thus in itself an accident. But the fact that a sober conservative journal, not a

\* Mr. J. A. Spender in the *Fortnightly*, January 1937.

## THE KING AND HIS MINISTERS

circulation-crazy organ of the stent press, was the first to break silence is a sign that it was no accident that the accident happened round about that time. A growing circle knew or suspected that already the affair was the object of urgent Cabinet discussion, and of inter-communication among the different Governments of the Commonwealth.

It is therefore necessary to take the story back a little in time, following the disclosures that have since been made in the Parliaments of the Commonwealth, notably by Mr. Baldwin on December 10, by Mr. Lyons on the following day, by Mr. Mackenzie King on January 18, and by General Hertzog on January 25. Perturbed by the gossip in the American press, and by its reactions in the Dominions and at home, Mr. Baldwin sought and obtained an interview with His Majesty on October 20. He told the King of his anxieties, especially with regard to the publicity, criticism and suspicion that might arise from the divorce proceedings then pending. He reminded the King of the unique position of the Monarchy, not only as the last link of Empire but also as a guarantee, so long as its integrity was preserved, against many evils that had afflicted other countries. But while the respect for the Monarchy had been largely built up over three generations, said the Prime Minister, it might disappear far more rapidly in the face of the kind of criticism to which it was being exposed, and against which no popularity could in the end prevail. Mr. Baldwin pressed for no answer to what he had said, but asked the King to consider it carefully. Nearly a month later, on November 16 (Mrs. Simpson having meanwhile obtained a decree  *nisi* ), the King sent for Mr. Baldwin, who again raised the question of a marriage, expressing the view that the suggested union would not command the approval of the people; they had a right to be heard, he said, since the King's wife must be their Queen. King Edward replied: "I am going to marry Mrs. Simpson, and I am prepared to go".

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All this time the conversations between the King and Mr. Baldwin were on a personal and informal footing. The Prime Minister consulted none of his colleagues before visiting the King on October 20, and reported to only a few of the senior of them what then occurred. That being so, there was no question of drawing the Dominion Governments into consultation at that stage. Their right to advise the Crown on an issue affecting the whole Commonwealth was and is equal with that of the British Cabinet, but in a constitutional sense no advice to the Crown had yet been sought or tendered. Such Commonwealth inter-communication as there was at that period—and it is hard to believe that the topic of the King's intentions was entirely avoided in private discussions in London between the High Commissioners and Cabinet Ministers, or in the High Commissioners' intimate reports to their own Premiers—such inter-communication took as personal and informal a character as the explorations of Mr. Baldwin himself.

The whole character of the issue was altered, however, after Mr. Baldwin's next interview with His Majesty, which took place on November 25. In the meantime a suggestion had been privately advanced that Parliament—or rather the Parliaments of the Commonwealth—should pass an Act enabling Mrs. Simpson to become the King's wife without assuming the position of Queen. This was Mr. Baldwin's account of his conversation with the King.

He asked me whether that proposition had been put to me, and I said yes. He asked me what I thought of it. I told him that I had not considered it. I said, "I can give no considered opinion". If he asked me my first reaction informally, my first reaction was that Parliament would never pass such a Bill. But I said that if he desired it I would examine it formally. He said he did so desire. Then I said, "It will mean my putting that formally before the whole Cabinet and communicating with the Prime Ministers of all the Dominions, and was that his wish?" He told me that it was. I said that I would do it.

On November 27 an emergency meeting of the Cabinet

## THE KING AND HIS MINISTERS

was held, and on the same or the following day\* communication was made with the Dominion Governments. The various Dominion Prime Ministers have told the subsequent story in different terms. The first cable from Mr. Baldwin recounted his conversations with the King and asked to know the reactions of the Dominion Governments. Mr. Mackenzie King told the Canadian House of Commons that Mr. Baldwin asked for "an expression of opinion on two possible courses—the marriage of King Edward to Mrs. Simpson, she to become Queen, and a morganatic marriage, of which the issue would be barred from the succession". In General Herzog's account a third possible course was added—voluntary abdication.

At this period the exchanges between the Governments of the Commonwealth were on the plane of mutual information. Mr. Lyons responded, he said, with his "personal view, since at that time the whole matter was highly secret and confidential". Mr. Mackenzie King likewise replied "without consulting other members of the Cabinet". The machinery of direct communication between Prime Minister and Prime Minister on "matters of Cabinet importance" had been established by the Imperial Conference of 1918. In effect, Mr. Baldwin was passing on to the Dominion Governments information essential to them in deciding what advice they should give to the Crown; and from them he was requesting information essential to the United Kingdom Cabinet in deciding what advice it should give to the Crown. Ingenious suggestions that the Prime Minister of the United Kingdom acted in the crisis as the chairman of an imaginary Imperial Conference are an inaccurate as well as unnecessary gloss on the truth; for in the actual exchanges there was never any hint of such a fictional relationship. The suggestions, indeed, are consonant with the status of the Dominion Governments, as having an independent relation with the

\* Mr. Lyons said he received the cable on November 28, but there is ten hours' difference in time between Canberra and London.

## CROWN, CONSTITUTION AND COMMONWEALTH

Crown, nor with the character of the Imperial Conference, which is not an executive body and has no power to delegate to anyone authority to act in its name.

What views the Dominions expressed in their replies to Mr. Baldwin's communication will probably never be known to the public in detail. But it is apparent that after brief reflection they were found firmly and unanimously opposed to the idea of a morganatic marriage—an idea repugnant to British law and custom, and on the face of it a confession that the woman whom the King wished to marry would be unacceptable as Queen. By December 2, when the King again sent for Mr. Baldwin, although the latter's enquiries were not yet complete, they "had gone far enough to show that neither in the Dominions nor here would there be any prospect of such legislation being accepted". Mr. Baldwin told the King that the proposal was therefore impracticable, and His Majesty "took the answer with no question and he never recurred to it again".

The next stage was the giving of formal advice to the King by his Dominion Governments. This was done at Mr. Baldwin's suggestion,\* conveyed on December 5. Our information at present is incomplete, but we know that at least the Governments of Australia and South Africa at once advised the King directly that a morganatic marriage was impossible; and that the Canadian Cabinet preferred to authorise Mr. Baldwin to transmit to the King a like repudiation, as their united opinion on the only issue on which formal advice to the Crown was sought or tendered throughout the crisis. On December 8, however, they sent through the Governor General a message

\* Mr. Mackenzie King reported that "an intimation was received from the Prime Minister of Great Britain to the effect that possibly the different Dominions might wish of their own accord to tender advice to His Majesty"; and Mr. Lyons' account was similar. According to General Herzog, however, Mr. Baldwin declared in his cable that the King himself, though likely to abdicate, had "expressed the wish that his several Governments should advise him formally" on the morganatic marriage proposal.

## THE ABDICATION

to His Majesty in which, after expressing their sympathy, they declared :

There is no doubt in our minds that recognition by your Majesty of what, as King, is owing by you to the Throne and to your Majesty's subjects in all parts of the British Commonwealth, regardless of what the personal sacrifice may be, should be permitted to outweigh all other considerations.

The dividing line between "advice to the Crown" and "expressions of opinion" is not easy to draw. The important fact is that some if not all of His Majesty's Governments in the Dominions exercised their right to communicate with the King, whether in the shape of formal advice or otherwise. Their status in this respect was equal to that of the United Kingdom Government, though the nature and urgency of the crisis made it inevitable that Mr. Baldwin should have played a unique part, and that His Majesty should not himself have directly sought advice from his Dominion Governments at the same time as he sought it from Mr. Baldwin. Two alternative methods of procedure were open to them in advising the Crown in person, and both, it seems, were used : to present their advice through their Governors General, as the personal representatives of the Crown, or to communicate directly with the King through his private secretary.

### II. THE ABDICATION

MEANWHILE, in England, events moved rapidly towards their climax. After the first bewildered week-end, public opinion, led by the responsible press on both sides of politics, solidified swiftly and decisively behind the view that the choice lay with the King, and that it lay between giving up Mrs. Simpson and abdicating the Throne. It is clear from Mr. Baldwin's narrative that this was fully realised by His Majesty himself, who, after the rejection of the morganatic marriage plan, made no attempt

## CROWN, CONSTITUTION AND COMMONWEALTH

whatever to force the issue into any other channel. There was at no time a constitutional crisis in the sense of a conflict between King and Ministers. King Edward had too wide a knowledge of affairs, and too profound a concern for the welfare of his peoples, not to rule out from the start the possibility of such a conflict, with its consequences of a Government resignation, political chaos, dissension among the members of the Commonwealth, the formation of a party of King's friends, and lasting bitterness and injury to the Crown. He had made up his mind conclusively by December 8, on which date Mr. Baldwin had his final interview at Fort Belvedere. On the following day the Cabinet addressed a last-minute plea to His Majesty, expressing the hope that before he pronounced any formal decision he would be pleased to reconsider his intention, which must so deeply distress and so vitally affect all his subjects. As late as December 10 (though half a day before corresponding English time) the Australian Prime Minister sent through the Governor General a message begging the King to reconsider his decision and to continue to reign over Australia. But the door had shut.

On December 10 the King's message was read by Mr. Speaker, and the same day the text was issued of the Bill to validate the abdication. Both these documents are reproduced in full in an appendix to this article. When the Bill was before the House the following day, seven members were found to support Mr. Maxton's amendment declining to accept a Bill necessitated by circumstances

which show clearly the danger to this country and to the British Commonwealth of Nations inherent in a hereditary monarchy, at a time when the peace and prosperity of the people require a more stable and efficient form of government of a republican kind.

The main body of the Labour party, in Mr. Attlee's words, were "not to be diverted into abstract discussions about monarchy and republicanism. The one essential is that the will of the people should prevail in a democratic

## THE STATUTE OF WESTMINSTER

country". Apart from the long-winded republican diversion, the proceedings on the Bill in Parliament were short and concise, emotions being too full for contentious debate or verbose approval. The Bill passed all its stages and received the Royal Assent on December 11. That same evening Prince Edward left England, by choice and not by law an exile, having first broadcast to the peoples of the Empire a moving message of explanation and farewell. The Duke of York, who immediately succeeded his brother upon the giving of the Royal Assent to the Declaration of Abdication Bill, was proclaimed King George VI on December 12. So the crisis ended.

### III. THE STATUTE OF WESTMINSTER

King Edward's decision to renounce the Throne initiated a new phase in the Commonwealth aspect of the crisis; for the abdication, with its attendant consequences for the succession, had to be ratified by Parliament, and there are six sovereign Parliaments under the Commonwealth Crown. Perhaps too nice an attention has been paid in this respect to the exact phraseology of the Statute of Westminster, whose purpose was simply to give legal form to the facts and principles of equality of status in the Commonwealth, as they had been described by the 1926 Imperial Conference. Those facts and principles themselves are inherently more important than their legal expression. Lawyers fall out, indeed, over the question how far the Statute of Westminster is rigidly binding in the different jurisdictions of the Commonwealth. If the old constitutional rule applies, that no Parliament can bind its successor, and that any statute contravening an earlier statute to that extent repeals it, then no special procedure is needed to re-establish the power of the United Kingdom Parliament to pass laws for the Dominions despite the Statute of Westminster. Nevertheless the Statute is the latest and most solemn expression of Commonwealth convention,

## CROWN, CONSTITUTION AND COMMONWEALTH

which no Government here or in the Dominions would flout save under the stress of the gravest emergency, such as would assuredly bring about a mutual understanding on the course to be followed.

Two portions of the Statute of Westminster clearly applied to the necessities of the crisis. The first was the preamble, which sets out that

inasmuch as the Crown is the symbol of the free association of the members of the British Commonwealth of Nations, and as they are united by a common allegiance to the Crown, it would be in accord with the established constitutional position of all the members of the Commonwealth in relation to one another that any alteration in the law touching the Succession to the Throne or the Royal Style and Titles shall hereafter require the assent as well of the Parliaments of all the Dominions as of the Parliament of the United Kingdom.

The second relevant portion—technically the more binding, since a preamble has not the force of law \*—was section 4, which lays down the following rule.

No Act of Parliament of the United Kingdom passed after the commencement of this Act shall extend, or be deemed to extend, to a Dominion as part of the law of that Dominion, unless it is expressly declared in that Act that the Dominion has requested, and consented to, the enactment thereof.

This section did not apply to Australia or New Zealand, whose Parliaments had not yet adopted its terms. But since the Statute of Westminster embodies Commonwealth convention, and since an integral part of that convention is the co-equality of the Dominions, it follows that the sense of the Statute will always be applied if possible to all the Dominions equally. So it was in this case. There was

\* But the Solicitor General declared in the debate on the Statute in 1931: "I take leave to say that the future of the Crown of the British Empire will not be decided by judges in courts of law, but in the hearts of the subjects of the Crown, and, having declared, as we have in the preamble, a great constitutional principle, I should have thought that it was sufficient for us to leave that notable declaration where it is in the preamble without taking the trouble to insert it in the body of the Bill".

## THE STATUTE OF WESTMINSTER

no more thought of the United Kingdom Parliament's legislating out of hand for Australia or New Zealand than of its doing so for Canada or South Africa. The preamble of the Declaration of Abdication Act acknowledges the assent of all those four Dominions. Indeed, the Australian Parliament was the only Parliament in the British Commonwealth to pass a resolution approving the Act on the same day as it was passed in the United Kingdom.

It is worth noting that, when section 4 of the draft Statute of Westminster was under discussion at the Imperial Conference of 1930, the Dominion representatives themselves rejected the idea of making the necessary "request and consent" parliamentary rather than executive. Canada endorsed the Declaration of Abdication Act in due form by way of a Governor General's order in council passed at Ottawa on December 10. In a broadcast address the same day, Mr. Mackenzie King explained that this action had been taken because the time-element made it impossible to summon the Canadian Parliament to a special session in time to take action before, or simultaneously with, the United Kingdom. Immediately after the opening of the next session, however, he introduced a one-clause Bill altering the succession to the Throne in accordance with the United Kingdom Act. Mr. Lapointe, the Minister of Justice, drew a distinction between validating the abdication and the new accession, which required from Canada only governmental "request and consent", and altering the law touching the succession, which required parliamentary ratification, under the preamble to the Statute of Westminster.

The inability to summon Parliaments in time to approve the United Kingdom legislation in advance caused a certain amount of constitutional embarrassment, especially with regard to the Irish Free State and the Union of South Africa. The attitude of Mr. de Valera's Government to the Crown, and the measures passed by the Free State Parliament to deal with the situation created by King

## CROWN, CONSTITUTION AND COMMONWEALTH

Edward's abdication, are described at greater length elsewhere in this issue of *THE ROUND TABLE*.\* Here one or two points only may be noted.

First, whatever may be thought of Mr. de Valera's use of the occasion to doctor the Free State constitution, by his promptitude in calling together the Dail on December 11 to face the problem of the abdication he spared Ireland and Great Britain some constitutional problems that might have aroused the bitterest controversy. Secondly, the Executive Authority (External Relations) Bill 1936, as amended and passed by the Dail, did fully serve the purpose, essential to Commonwealth unity at that moment of crisis, of assuring that the Crown in the Irish Free State—ambiguous as its position there might be—should be the same Crown as in Great Britain and the rest of the Commonwealth. Thirdly, thanks to the needs of home politics that made Mr. de Valera sweeten the pill of accepting the Crown with the jam of abolishing the Governor General, this Bill was passed a day after the Declaration of Abdication Bill received the Royal Assent and King George VI succeeded to the Throne.

The importance of this fact emerges when it is seen against the background of the omission of the Irish Free State from the preamble to the United Kingdom measure, and of Mr. de Valera's claim, which was certainly not without justification under the Statute of Westminster, that "in so far as Saorstat Eireann is concerned the abdication will not become effective until legislation for that purpose has been enacted by the Oireachtas". If his claim is allowed, then for the space of one day Edward VIII was still King in the Free State, whereas George VI had already succeeded him across the Irish Channel. And from that admission many important consequences would flow in the realm of constitutional law. The theory of the divisibility of the Commonwealth Crown, which is intimately bound up with the doctrine of Dominion neutrality, would receive

\* See below, p. 348.

## THE STATUTE OF WESTMINSTER

an endorsement which it has not hitherto obtained among the orthodox. Such speculation, however, has at present no practical import. Neither Mr. de Valera's Government nor Mr. Baldwin's pressed the point: whatever theories may be built upon the frame of that day's interval, the event itself is past history: the unity of the Commonwealth Crown, in the person of King George VI and his successors, is assured.

The momentary divisibility of the Crown was likewise implicit in the line taken by the Government of South Africa. The Union Parliament was not sitting and could not be promptly summoned. Moreover, whereas Canada had ratified the Statute of Westminster as it stood, and could therefore comply with its provisions by formally "requesting and consenting to" the United Kingdom legislation, South Africa had taken the opportunity of the Statute to pass the Status of the Union Act, one effect of which was to bar any Act of the Parliament at Westminster from extending to the Union without a separate Act of the Union Parliament itself. The Attorney General, in explaining this point in the House of Commons debate on December 11, avoided discussing its consequences. He merely noted that the Union Government had authorised the citing of South Africa in the preamble, along with Australia and New Zealand, as having "assented" to the passage of the Declaration of Abdication Bill, although her position was very different from theirs.\* The accession of George VI was duly gazetted and proclaimed by salute in the Union on December 12.

Nevertheless, the legal problem remained. There was indeed another section of the Status of the Union Act, providing that the words "heirs and successors" of the Crown in section 2 of the South Africa Act 1909 (which

\* General Hertzog has since stated that this assent was given, and its mention authorised, not with a view to its having any legal effect, but at the request of the United Kingdom Government, and pending legislation in the Union.

## CROWN, CONSTITUTION AND COMMONWEALTH

remains the main fabric of the Union's constitution) shall be taken to mean "His Majesty's heirs and successors in the sovereignty of the United Kingdom of Great Britain and Ireland as determined by the laws relating to the succession of the Crown of the United Kingdom of Great Britain and Ireland". This, however, was held inadequate by itself to secure the accession of George VI, since the phrase "as determined by the laws relating to the succession of the Crown of the United Kingdom" must plainly be construed in relation to other parts of the Status Act and to the Statute of Westminster. It is now apparent that the Union Government rested their legal position on the following argument. A demise of the Crown is a fact, not a legal myth, and the common law establishes that upon a demise of the Crown the next heir in the lawful succession instantly becomes King or Queen. The demise of the Crown is commonly a physiological fact; the Union Government seems to have held that upon this occasion it was no less indubitably a political fact, with necessary consequences in law.

But when, for the purposes of South Africa, did the demise take place? Not when the Declaration of Abdication Act received the Royal Assent, for that would be to acknowledge the power of the United Kingdom Parliament to legislate for the Union. The demise must therefore have taken place when King Edward signed his instrument of abdication. The Act subsequently passed by the Union Parliament therefore provides, independently of the United Kingdom Act but in similar terms, for the contingencies involved in the abdication, while declaring that this took place on December 10. This view, that the King may create a demise of the Crown by indicating his intention of abdicating, is not upheld by United Kingdom lawyers, and was vigorously assailed by Mr. Menzies in the Canberra debate of December 11. The succession to the Throne in modern times depended, he said, essentially upon statute, and what was contained in a statute could be modified only

## LESSONS OF THE CRISIS

by a statute. The State Government of New South Wales even thought it necessary, in advance of the Declaration of Abdication Act, to secure amendments to the Demise of the Crown Act of 1901 and the state constitution, providing that "demise of the Crown" should cover demise by or upon abdication. Despite this conflict of opinion, the fact remains that every Government in the Commonwealth was satisfied that the abdication of Edward VIII and the accession of George VI had legal effect as from December 12 at latest; wherever it was thought necessary, retroactive legislation has now been passed to confirm this and to amend the succession to the Throne.

### IV. LESSONS OF THE CRISIS

THE abdication crisis was thus a test of many things: of the strength and effectiveness of the new structure of the Commonwealth as an association of autonomous communities, of the position of the Crown in that association, of the relative force of the personal and the institutional elements in allegiance to the Crown, of the strength and flexibility of our democratic system, in which the constitutional monarchy plays an essential part. If, in the summing up on these points, we have much on which to congratulate ourselves, we must first recognise our debt to the personal qualities of the chief players in the drama. Judgment on King Edward can scarcely be offered in a few words, nor can his decision now be amended by praise or blame; it is enough to say that it was deeply regretted by the vast mass of his subjects throughout the Empire, who had looked forward to a long and brilliant reign. That said, it must be recorded that not for a moment did King Edward seek to injure the constitutional fabric, or to create difficulties for those who were advising him otherwise than he could have wished. His brother, Mr. Baldwin, the Governments and peoples of the Empire, owe much to his conduct in enabling the transition from one reign to

## CROWN, CONSTITUTION AND COMMONWEALTH

another to be made calmly and without political explosion. Likewise the Empire is under a debt to the personal qualities of Mr. Baldwin, whose combination of tact and candour was never more favourably seen. A blundering Prime Minister, or a King reckless of the constitution, might have produced a result with echoes far different in the fame of British democracy.

The practical unanimity of the Commonwealth peoples, both in determining what was the real issue and in accepting the outcome with resignation combined with hopeful loyalty to the new King, was perhaps the most remarkable side of the whole story.\* On the face of things, it might not have been expected; for King Edward enjoyed an immense personal popularity in the Dominions, where the consequences of his having a particular Queen Consort might not have struck home so intimately as to the people of Great Britain. Yet, although there were differences of outlook between various sections of opinion in the Empire, those authorised to speak for its peoples as national groups were of one mind and voice—a tribute to the responsible leadership of Dominion Ministers, to the common ways of thought and life among the British peoples in different corners of the globe, to the allegiance and affection that are paid to the Crown as an institution, by contrast with the King as an individual ruler. The Throne is greater than the King: that was the central lesson of the crisis, and a lesson expounded no less surely by the response of people of the Dominions than by that of people of Great Britain.

This union of wills infinitely eased the task of those whose responsibility it was to guide the working of the Commonwealth constitution. Had there been a conflict among the self-governing members of the Commonwealth, the system expressed in the Statute of Westminster might have been paralysed. As it was, the pressure of urgency revealed in it certain weaknesses. It might be argued that the urgency was exceptional and that the future working of

\* See the article, "The Empire and the Crisis," below.

## LESSONS OF THE CRISIS

the system is likely to take place in calmer conditions. On the contrary, whatever may happen in day-to-day routine, extreme urgency is likely to be characteristic of those very crises in the public affairs of the Commonwealth that will put its institutions to the most searching test. There has been no suggestion that the machinery of mutual information in the Commonwealth did not work smoothly on this occasion. The difficulties—which have been reflected in controversy along nationalist lines in certain of the Dominions—arose at two points: the giving of formal advice to the Crown, and the parliamentary endorsement of all-Commonwealth measures. The latter problem is doubtless inherent in the nature of the parliamentary system. Delays are inevitable, especially in vast countries like the overseas Dominions, where several days' travel may be needed to bring members to the capital; and the delays are multiplied when the simultaneous approval of several such Parliaments is required. The incident certainly gives warning of the dangers of the tendency, apparent notably in Canada, to insist upon previous parliamentary approval for executive acts of state.

The Dominion Governments' separate exercise of the convention of "advice to the Crown" as a process of executive action causes no special difficulties so long as such advice is confined to the internal affairs of the Dominions; for the Governor General can act on the spot with full responsibility as the Crown's representative, and there is no chance of conflict with advice given by other Governments to the Crown either in person or through other Governors General. The trouble arises in regard to external affairs, Commonwealth or foreign. Such issues may affect other Commonwealth members besides the one whose Government gives the advice; or they may affect the position of the Crown itself. The formal assent of a Governor General is then clearly not an adequate procedure. The advice must be given to the King himself. The constitutional machinery of the Commonwealth is not at

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present adjusted to these necessities, as the abdication crisis showed. Mr. Lyons or General Herzog could not have audiences of His Majesty; their only means of advising the Crown directly was formal communication through the Governor General or the King's private secretary. And the only means whereby the views and intentions of the Dominions could be jointly considered before they took steps that might (though in fact they did not) lead to the giving of conflicting advice to the Crown was consultation between them and the Prime Minister of the United Kingdom. The legend of the imaginary Imperial Conference is an attempt to rationalise this situation in terms of equality among the members of the Commonwealth. It cannot thus be rationalised. The central part played by the United Kingdom Prime Minister was dictated not only by the urgent and peculiar facts of the case, but also by the absence of any machinery whereby the Dominions could advise the Crown upon an all-Commonwealth matter, on an equal footing with the Cabinet at Westminster, and after all-Commonwealth deliberation.

The responsibility for rectifying that defect, if they regard it as such, lies primarily with the Dominions. But behind it, and behind the whole story of the crisis, lies the problem of giving practical shape to the character of the Commonwealth Crown as at once sixfold and single. The old formulae of constitutional theory no longer fit. Perhaps the best approach to a new set of formulae lies through

drawing a distinction between the "King" functions and the "Governor-General" functions of the Crown. The King acts in effect as his own Governor General over a vast range of United Kingdom and colonial business in which he could, if necessary, act by deputy, as he does in the self-governing Dominions. But that kind of business does not exhaust the functions and attributes of the Crown. There remain all those aspects of the Commonwealth Monarchy, including the whole of the personal side, which

constitution of the Commonwealth.

## LESSONS OF THE CRISIS

George VI may be supposititiously Governor General in the United Kingdom, and may depute royal functions to Dominion Governors General, but he himself is King throughout the Commonwealth. This distinction was clearly reflected in the Regency Bill that was introduced in Parliament at the end of January. Although it does not apply to the Dominions, care has been taken to provide for a possible regency in a form equally acceptable to all parts of the Commonwealth. On the other hand, the intention of the clause concerning the appointment of Counsellors of State in the event of the King's protracted absence abroad is plainly that the King shall retain his imperial functions in person, while discharging his national functions by deputy.

A further consequence flows from this dual nature of the Crown. The King in his "Governor-General" functions, like the Governors General themselves, acts on the formal advice of a single Ministry, while being able to seek advice in a more general sense wherever he chooses. The King as wearer of the all-Commonwealth Crown is no less bound by constitutional convention, but his task of obtaining wise counsel informally is much more difficult. He cannot be in all his Dominions at the same time, and in fact he is bound to spend the greater part of his reign in the United Kingdom. Those whom he assembles about him in his household, and to whom he turns for informal advice, therefore owe a special responsibility to the Dominions. Who they shall be is a matter of personalities rather than principle. But the chief source of private information for the King on the life of the Dominions must remain the Governors General, whom, on the advice of Dominion Governments, he has appointed to act for him. The right of those Governments to nominate whom they will is unquestioned, but it must needs be so exercised as to make possible the personal contact between King and Governor General that is essential to the working of the sixfold Crown. The key lesson of the crisis is the need for mutual understanding between the King and all his peoples.

## CROWN, CONSTITUTION AND COMMONWEALTH

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# CROWN, CONSTITUTION AND COMMONWEALTH

## APPENDIX

### I. THE KING'S MESSAGE TO PARLIAMENT

After long and anxious consideration I have determined to renounce the Throne, to which I succeeded on the death of my father, and I am now communicating this my final and irrevocable decision.

Realising as I do the gravity of this step, I can only hope that I shall have the understanding of my peoples in the decision I have taken and the reasons which have led me to take it.

I will not enter now into my private feelings, but I would beg that it should be remembered that the burden which constantly rests upon the shoulders of a Sovereign is so heavy that it can only be borne in circumstances different from those in which I now find myself.

I conceive that I am not overlooking the duty that rests on me to place in the forefront the public interest when I declare that I am conscious that I can no longer discharge this heavy task with efficiency or with satisfaction to myself.

I have accordingly this morning executed an instrument of abdication in the terms following :

*I, Edward the Eighth of Great Britain, Ireland, and the British Dominions beyond the Seas, King, Emperor of India, do hereby declare my irrevocable determination to renounce the Throne for myself and for my descendants, and my desire that effect should be given to this instrument of abdication immediately.*

*In token whereof I have hereunto set my hand this tenth day of December, 1936, in the presence of the witnesses whose signatures are subscribed.*

(Signed) EDWARD R.I.

My execution of this instrument has been witnessed by my three brothers, their Royal Highnesses the Duke of York, the Duke of Gloucester, and the Duke of Kent.

I deeply appreciate the spirit which has actuated the appeals which have been made to me to take a different decision, and I have before reaching my final determination most fully pondered over them.

But my mind is made up. Moreover, further delay cannot but be most injurious to the peoples whom I have tried to serve as Prince of Wales and as King, and whose future happiness and prosperity are the constant wish of my heart.

I take my leave of them in the confident hope that the course which I have thought it right to follow is that which is best for the stability of the Throne and Empire and the happiness of my peoples.

## APPENDIX

I am deeply sensible of the consideration which they have always extended to me both before and after my accession to the Throne and which I know they will extend in full measure to my successor.

I am most anxious that there should be no delay of any kind in giving effect to the instrument which I have executed, and that all necessary steps should be taken immediately to secure that my lawful successor, my brother his Royal Highness the Duke of York, should ascend the Throne.

EDWARD R.I.

### II. THE DECLARATION OF ABDICATION ACT

Whereas his Majesty by his royal message of the 10th day of December in this present year has been pleased to declare that he is irrevocably determined to renounce the Throne for himself and his descendants, and has for that purpose executed the Instrument of Abdication set out in the schedule to this Act, and has signified his desire that effect thereto should be given immediately;

And whereas, following upon the communication to his Dominions of his Majesty's said declaration and desire, the Dominion of Canada, pursuant to the provisions of section 4 of the Statute of Westminster, 1931, has requested and consented to the enactment of this Act, and the Commonwealth of Australia, the Dominion of New Zealand, and the Union of South Africa have assented thereto;

Be it therefore enacted by the King's most excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows :

1. (i) Immediately upon the royal assent being signified to this Act the Instrument of Abdication executed by his present Majesty on the 10th day of December, 1936, set out in the schedule to this Act, shall have effect, and thereupon his Majesty shall cease to be King and there shall be a demise of the Crown, and accordingly the member of the Royal Family then next in succession to the Throne shall succeed thereto and to all the rights, privileges, and dignities thereunto belonging.

(ii) His Majesty, his issue, if any, and the descendants of that issue, shall not after his Majesty's abdication have any right, title, or interest in or to the succession to the Throne, and section 1 of the Act of Settlement shall be construed accordingly.

(iii) The Royal Marriages Act, 1772, shall not apply to his Majesty after his abdication nor to the issue, if any, of his Majesty or the descendants of that issue.

2. This Act may be cited as his Majesty's Declaration of Abdication Act, 1936.

# POWER POLITICS AND THE IMPERIAL CONFERENCE

## I. SOVEREIGNTY AND THE LEAGUE

A GREATER realism is now manifesting itself in the public discussion of international affairs. The easy hopes that the League of Nations would assure us, without serious effort, a long era of peace and prosperity have been ruthlessly dispelled. The world is in even greater turmoil than it was before 1914. Some people attribute this to the rising world quarrel between communism and fascism. But it is due far more to the anarchy in which some seventy nations are trying to live, and which no league of sovereign States can possibly remedy. The centre of world disturbance is Europe, and the primary reason for its discord, for its constant expansion of armaments, for its economic distress, for the violence of the rival communist and fascist religions, is its division into twenty-six sovereign States, each armed to the limit with guns and tariffs. If Europe could achieve the federation that has spared the United States—an area of almost exactly the same size—the wars and frustrations and economic disasters of Europe, it would be at peace, and the problem of reconciling the rising socialist ideal with political and individual liberty could probably be solved by constitutional and democratic means. But, for the present, because of internal divisions, a federation of Europe is utterly out of reach.

It is curious that the countries which have learned through bitter experience that the system of co-operation between states will not work, and have established federation or union

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as the only solution of their own problems, namely the United States, Canada, Australia, South Africa and the United Kingdom, should have been among the slowest to realise that a League of Nations, so long as it is based on the retention of complete national sovereignty by its members, is subject to five fatal limitations. A league of sovereign nations can neither compel universal membership nor proceed by majority decision. It has no power in itself to alter the *status quo*, and thereby remove some of the main causes of conflict. It has no power to limit or control economic nationalism, the principal cause of unemployment, dictatorship and international tension today. It has no power to limit armaments. And if it attempts coercion by applying sanctions, its members must be ready for or actually go to war.

The gradual recognition of these essential truths by the champions of the League is having two beneficial effects. On the one hand it is opening the door to a recovery of the League in the only form in which it can be of use so long as its members insist on maintaining their full sovereignty—as a system of regular universal conference, based on the undoubted fact that every nation is necessarily concerned about the possible reactions upon itself of a conflict anywhere, a system in which the members assume no automatic obligation to take coercive action, though they have the right to do so in the light of the facts and arguments produced at the time. It may seem a step back to abandon automatic sanctions, but, until the League has power to revise treaties, automatic sanctions simply mean an obligation to go to war to maintain the *status quo*. Such an obligation conduces neither to peace nor to universal membership. So long as the League consists of sovereign States it can act only by taking such action, either military or economic, as its members can agree upon in the light of the circumstances of every case.

On the other hand, recent events have brought home to us that in a world of sovereign States, whether they act

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through the League or outside it, the old diplomacy—that is diplomacy whose ultimate sanction is war or the threat of war—is still in operation, and must be conducted according to its own rules. The League has admittedly suffered from the fact that it has no power to remove the grievances that make for war. But in a completely anarchic world of sovereign States alterations in the *status quo* are just as difficult to obtain. Indeed, it is often said that under conditions of anarchy revision can be obtained only by war, that local changes will be made by local wars and that world wars will break out when the general settlement made at the end of the last world war has become sufficiently out of date. But that is not wholly true. Under the old diplomacy there is an intermediate method between petrifaction of the *status quo* and war. That method is power politics, or *Machtpolitik*. That is the method by which a nation or a group of nations, seeking to alter the *status quo*, justly or unjustly, succeeds either in building up such military predominance on its own side, or in so isolating its rival, that the weaker party consents to a change rather than face the alternative of probable or certain defeat in war.

Power politics, of course, is an extremely dangerous game. It is a game of poker, with war as the consequence of serious misjudgment in bluff or play. The weaker State may prefer war to humiliation, especially if it hopes that others, for their own reasons, may intervene. It is never possible to isolate a situation entirely, if only because in a world of anarchy power is what ultimately counts, and a successful act of power politics anywhere is bound to have an effect on the balance of power elsewhere. But for all its risks, and despite the fact that the effects of power politics are often unjust, it is, within limits, preferable to war as a method of readjustment, when the method of voluntary agreement has failed. If it is successful it involves no loss of life between the parties concerned, and no risk of the conversion of a local struggle into a general war in which millions are killed for causes that bear no

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relation to the original quarrel and are in no way worth the terrific sacrifices involved. People may feel a moral repugnance towards the rules of the game of power politics. But the necessity for it is the result of their own insistence on sovereignty. Only when nations are willing to federate can a government come into being capable of acting on moral principles, capable because its decisions are law and the product of debate and majority decisions, and because resort to violence is prohibited and prevented. So long as we insist on living in conditions of anarchy, international politics will be governed in greater or less degree by the law of the jungle. And in the international jungle it is usually better to accept the lesser evil of change brought about by a successful *coup* of power politics, and to counter it by adjustments in the balance of power, than to insist on the greater evil of war, which may develop into world war, not least because such a war will almost inevitably end in a peace containing within itself the seeds of fresh wars.

### II. MANCHURIA AND ABYSSINIA

IN the phase of world history from 1918 to 1931, international questions were, generally speaking, settled by agreement. This was mainly because of the overwhelming power of the Allies, who were substantially satisfied with the settlement they had made, both in Europe and in the Far East, after the defeat of Germany and her associates, and because the dissatisfied nations were too weak to resist or to think of being able to alter the *status quo* by force. The only considerable instance to the contrary was the occasion when in 1922 Kemal Pasha defied the Allies—by that time thoroughly pacifist themselves—and forced them to accept his own solution of the Turkish question by driving the Greeks out of Asia Minor. But in 1931 this era of tranquil adjustment came to an end, and the era of power politics definitely reappeared. Faced

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with the internal problem of providing for a population increased by a million a year, anxious about the gradually strengthening power of Bolshevik Russia, confronted by a disorderly but also slowly recovering China, the military party in Japan decided to try to solve the problem of her future by occupying Manchuria and Jehol. They knew that there was no question of getting the consent of China, or of the signatories of the Nine Power Pact, or of the League of Nations, to so radical a solution. Negotiations inevitably meant compromise, with the *status quo* as its basis. Unwilling to compromise, they took the law into their own hands, knowing that China could make no effective resistance and believing that the rest of the world would protest but not fight.

Their judgment was proved right by events. It is now clear from Mr. Stimson's book\* that at no time did the United States ever propose even the mildest form of economic sanctions. He relied, first, on the moderates in Japan to restrain the military party, and later on the effect of international condemnation and a policy of non-recognition of conquest contrary to treaty. The British Government, in the interests of Anglo-American co-operation, might well have responded more cordially to Mr. Stimson's proposals for moral pressure on Japan, but there is no reason to suppose that co-operation in protest would have checked her. And the British Government was certainly right in refusing to take any action in the Pacific that would have given Japan the excuse to attack British possessions, until it was certain that the United States navy was pledged to support any agreed policy of action, for the reason that at that time it had wholly inadequate naval power in the Pacific to enable it to deal alone with a Japanese attack. Russia never seriously considered action of any kind. Nobody else counted, because nobody else had any power on the spot. So Japan "got away with" her *coup* of power politics, and accomplished her purpose in the

\* *The Far Eastern Crisis*, by Henry L. Stimson.

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decisive theatre of Manchuria (though not at Shanghai) by mobilising such strength that the local resistance of the Chinese was almost immediately overcome and the larger Powers thought that protest (*after discretion*) was better than valour in defence of the integrity of China.

It was exactly the same with Abyssinia, except that the risks of general war run both by Italy and by the League were much greater, because both sides began to mobilise power. Mussolini, partly for economic reasons, partly, perhaps, to maintain his own internal prestige, decided to obtain general economic and political control over Abyssinia. It was practically certain that he could not obtain any such results from negotiation at Geneva, especially with Abyssinia a member of the League. Deliberately or through misjudgment he employed no subterfuges and by invading Abyssinia violated the Covenant of the League in the most flagrant way. The League members, recalling the Manchurian fiasco, and many of them fearing that their own turn might come next, decided, on British initiative, that they must put their obligations under Articles 10 and 16 of the Covenant to the test. When, therefore, despite League and diplomatic remonstrance, the invasion of Abyssinia commenced, the League members began to impose the economic sanctions provided for under Article 16. Protest and moral judgment had not sufficed. The issue had become one of power.

In Abyssinia, as in Manchuria, the power of resistance of the local State was small, and when once Italy had discovered the technical means of overcoming transport difficulties and of protecting her communications by air and gas, and once the Rasses had played into her hands by mass attacks, the real issue was whether the power mobilised by the collective action of the League would be sufficient to compel Mussolini to abandon his enterprise or to compromise. The result was a total victory for Mussolini, because the League Powers, headed by Great Britain and France, had decided from the first, and never wavered in

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their decision, that the Abyssinian question was not worth a war. In their view it was preferable to acquiesce in an unjust alteration of the *status quo* by force, rather than to risk a general war. No doubt if we had been more realistic and less indignant and uncompromising in our judgments we could have played our cards better. The League might have made economic sanctions as intensive as possible from the start, including oil sanctions, or we might have privately threatened a blockade of the Suez Canal, or the League might have been willing to compromise on something like the Hoare-Laval terms when they were within reach. But partly because most of the European members, especially France, were far more concerned over Germany than over Abyssinia, and partly because the English-speaking members of the League had got into the habit of thinking of the League as a kind of world government, the League played the game of power politics that is inherent in the relations between sovereign States almost as badly as it was possible to play it. Mussolini, who was an expert in the game, and who, by intense and violent efforts, had snatched a victory over Hailé Selassié before the rains came and League sanctions could begin to have cumulative effect, thus achieved a more resounding success, both in Abyssinia and over the League, than he probably expected or even desired.

### III. WHERE DOES THE COMMONWEALTH STAND?

IT is with this new situation—or rather with this clearer appreciation of the facts of the present-day world—that the nations of the Commonwealth have to deal. That world consists of sovereign States armed to the teeth, many of them being morally prepared by dictatorship for the use of force and dissatisfied with the *status quo*, both political and economic. In such a world, diplomacy, whether inside or outside the League, depends far more on the amount of power that can be mobilised behind particular

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courses of action than on moral principle—though moral principle and the response of nations to it is one of those *imponderabilia* which Bismarck found it so difficult to estimate. To-day, with so many large nations outside or opposed to the League, and with its smaller members increasingly unwilling to take any action that could bring them into conflict with more powerful neighbours, the necessity for facing the power aspects of every diplomatic situation becomes increasingly urgent.

There is no group of nations of which this is more true than the nations of the British Commonwealth. They have been willing to accept the obligations of the Covenant, but subject to the reservation that those obligations did not involve them in war. It is now clear both that Articles 10 and 16, if they are to be used to the full, involve liability to go to war, and that the nations of the Commonwealth are not prepared to assume such an obligation either automatically or all over the world. There is probably no Dominion that would not agree with Mr. Mackenzie King in maintaining that participation in military action can be decided upon only by the Parliament of the Dominion, and that this decision cannot be pre-judged.

Great Britain has taken the same attitude, though, like the Dominions, she put herself in a dubious and fundamentally bluffing position when Sir Samuel Hoare made his speech at Geneva in September 1935. Recently, however, in a speech made by the Foreign Secretary at Leamington on November 20—a speech that attracted much more attention abroad than it did at home—the British Government took up a far more realist position.

British arms (said Mr. Eden) will never be used in a war of aggression. They will never be used for a purpose inconsistent with the Covenant of the League or the Pact of Paris. They may, and if the occasion arose they would, be used in our own defence, and in defence of the territories of the British Commonwealth of Nations. They may, and if the occasion arose they would, be used in the defence of France and Belgium against unprovoked aggression in accordance with our existing obligation.

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They may, and, if a new Western European settlement can be reached, they would, be used in defence of Germany were she the victim of unprovoked aggression by any of the other signatories of such a settlement. Those, together with our treaty of alliance with Iraq and our projected treaty with Egypt, are our definite obligations. In addition, our armaments may be used in bringing help to a victim of aggression in any case where, in our judgment, it would be proper under the provisions of the Covenant to do so. I use the word "may" deliberately, since in such an instance there is no automatic obligation to take military action. It is, moreover, right that this should be so, for nations cannot be expected to incur automatic military obligations save for areas where their vital interests are concerned.

In this speech Mr. Eden distinguished clearly between those matters about which Great Britain would be prepared to go to war and other matters in which she was interested, but which, at least at the outset, she would not consider a *casus belli*, though the latter kind of problem may, of course, always develop into the first. The distinction is just, and Mr. Eden is to be congratulated on having made it so explicitly. It is a recognition that, in a world of sovereign States and power politics, policy must bear some definite relation to the power that can be mobilised behind it.

But two very important questions follow from this recognition of the facts. The first is how far the other nations of the Commonwealth are prepared to stand behind these declarations; for the ability of Great Britain to make them effective depends, to some extent, on the degree to which the policy is also that of the rest of the Commonwealth. The second is to what extent Great Britain, either jointly with other members of the British Commonwealth or as a member of the League, or in a regional alliance, can or ought to intervene in controversies that may arise in other parts of the world, when they become conflicts of power.

It is essential that the first question should be thoroughly discussed at the forthcoming Imperial Conference. Is the territorial integrity of the British Commonwealth a matter that affects the national security of all the self-governing

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parts of the Empire and that also concerns them because of its importance for peace, liberty and democracy in the world? If it is, will they undertake to defend it, and if so to what extent, if it is threatened? Do they, as Great Britain does, regard the security of the Suez Canal and of the territories adjacent to it, Egypt and Palestine, and the security of Singapore also, as a vital concern to themselves and to the whole Commonwealth? Are they concerned to defend France and Belgium against "unprovoked aggression"? And what about Iraq? The answers of the several Dominions are likely to differ about the importance of these various points and the action they would take over them. It may be difficult to reach any common agreement that can be published. But the issue is one that clearly affects the vital interests of every part of the Commonwealth. It is one which, under the Imperial Conference resolutions of 1923 and 1926, is the subject matter of common policy, even though the main initiative from day to day in dealing with it must, subject to consultation, fall upon Great Britain. On the answer will largely depend the effectiveness of the diplomacy of Great Britain and the Commonwealth, both for self-defence and in restraining the policies of other nations that may threaten our vital interests. And no sensible decisions can be reached by any part of the Empire about these matters until its Government has heard the advice of the general staff as to the facts of the military situation, facts that can often not be published outside.

The second question, namely, the attitude to be taken outside these decisive areas, is much more difficult to answer. The complex issues arising out of the Spanish civil war are discussed in another article in this issue of *THE ROUND TABLE*.\* There are two other danger zones, however, which disclose clearly enough the essential nature of the problem—eastern and south-eastern Europe, and the

\* See below, p. 276.

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Far East. The realities of the Far Eastern situation were revealed in the Manchurian case. Presumably the Commonwealth can defend itself at Singapore, but the extent to which it can use power effectively beyond that base depends upon whether or not the navy of the United States is also committed to the same policy. As regards Europe there is stability in the west—the frontiers surrounding the Rhineland and the frontiers of France to the south are not in question. But there is, as yet, no stability in the east. There is discontent with many of the frontiers, especially between Hungary and her neighbours. There is the bitter struggle between communism and fascism. There is violent hostility among Germans to what they describe as the "encircling" alliances of France with Poland and the Little Entente, and still more to the Soviet pacts with France and Czecho-Slovakia, which in the German view, seem to ally these countries with Bolshevism. This discontent may expand an eastern European into a pan-European quarrel. Finally there is what is now called the "butter" versus "guns" issue: that is to say, is it possible to make an arrangement whereby the economic pressure from which Germany and the other so-called "have-not" countries suffer can be relieved as part of an all-round agreement which includes a limitation of armaments?

It is quite clear that Great Britain is not prepared to treat local eastern European questions, even if they become power conflicts, as matters in which her own armed strength should be involved. But it is equally clear that to-day, as in 1914, eastern European questions may become pan-European and even world questions, from the solution of which neither Great Britain nor the rest of the Commonwealth can stand apart. It is essential that the question where the line is to be drawn should as far as practicable be explored at the Imperial Conference, so that when the crisis arises there may be the least possible delay and doubt as to the policy to be pursued. In our view the general

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line is clear. In no circumstances should Great Britain allow herself to be drawn into a power conflict over any central or eastern European question, and the principal test of when an eastern European question becomes a pan-European question is that laid down in the Leamington speech—whether the security of France or Belgium becomes endangered through unprovoked aggression.

The reasons for this are twofold. The first is that we do not consider that any question involving the relative strength or the alliances of France or Germany in eastern Europe, or any aspect of the central European struggle between fascism or communism, or any frontier question in eastern Europe, is of such importance as to warrant plunging Great Britain or the Commonwealth in war. These are essentially European questions which should be settled by Europeans themselves. The root of Europe's troubles lies in its division into twenty-six sovereign States, and there is no British interest or world interest to be served by risking war to prevent internal adjustments in Europe, even by power politics, and so to perpetuate the anarchy that is its bane. If as a result of power politics the twenty-six States came to be grouped into three or four more or less self-sufficient and loosely related groups, like the pan-American system or the British Commonwealth, the world would be a happier and a more peaceful place. We can offer mediation at Geneva, if the issue is taken there, or elsewhere, if it is wanted. But we should make it clear from the outset that in no circumstances shall we be drawn into war over these matters unless the conflict becomes one that raises the question whether or not a single Power seeks to establish a military hegemony over Europe. The line we have adopted over Spain should be the line we should adopt in eastern Europe also.

Our second reason for holding this view is that, in Europe as elsewhere, our policy must be related to our power and cannot be governed entirely by our sympathies. The British navy is, we believe, in a very efficient condition.

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But, as the last war showed, its effect in bringing decisive economic pressure to bear upon an enemy is extremely slow. The British army, on the other hand, is very small and finds difficulty in keeping up to strength. Though it has been reduced in size since 1914, its imperial commitments have increased, especially in the Middle East. The Palestine situation alone may require the presence of the whole expeditionary army as it is now maintained. There remains the air force. The air arm, by itself, is purely destructive. Unless the army can occupy vital territory the air can succeed only by terrorisation. A threat on the part of Great Britain to go to war over eastern Europe, to restrain, say, an attempt by Germany to nullify the French alliances there, would mean in effect a threat to rain bombs on the Ruhr, which would instantly involve the bombing of London by way of reprisal—a mere competition in brutal destruction.

British armed intervention in Europe, therefore, is bound to be quite ineffective, unless it is taken in co-operation with a combination of other nations, inside or outside the League, which is overwhelmingly superior in available military strength to a potential enemy. The support of the Dominions, for instance, except in aeroplanes and pilots, would be of little effect from the point of view of power in the early and possibly decisive stages. The question whether economic embargoes can be used—without serious risk of extending a local war into a world war—to deter nations from warfare, to bring conflicts that may arise over necessary revision to an early close, or to resist aggression, is another matter for serious discussion by the Commonwealth.

### IV. THE INFLUENCE OF THE DOMINIONS

WE think a thorough discussion of foreign policy is essential at the forthcoming Imperial Conference for another reason. As armaments increase, foreign problems

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inevitably become more and more a question of power. If the Commonwealth is to be secure, if it is to pull its due weight for peace, if it is to avoid being drawn into war for causes that are not worth while or that will find its own people divided, its political and economic leaders must do their best to reach a common understanding as to their common interests, as to the degree of common action upon which they can depend, and as to how the balance of forces really lies. Public opinion is still very fluid on these matters. The champions of a sanctionist League of Nations are inclined to press their own nations to go to war against attempts to alter the *status quo* anywhere by force, though the League has no power to make the revisions that alone can prevent explosion. Communists and fascists long to involve us in the world-wide conflict between these two new political religions. The British Foreign Office and most experts on European affairs tend to become so interested in Europe and so concerned about its future as to be willing to drag us into conflicts that are not our concern and that are far better left to others to settle. Foreign propagandists are ever at work influencing press and politicians. Foreign Secretaries long to stand out as the peace-makers of Europe, when a clear declaration that Great Britain will not intervene at all may be the necessary first step towards a stable European balance—without us. Mr. Eden's utterances since the Leamington speech seem to imply a greater readiness for general European commitment.

Yet the foreign policy pursued by Great Britain must be one that has the assent of all the nations of the Commonwealth. It is essential, therefore, that the attitude the Dominions take towards European and Far Eastern questions should be made clear. They understand, too, far better than Great Britain, the policy and power of the United States—the ultimate balancing factor in the world. In a recent address at Aberdeen, as quoted in *The Times*,\*

\* January 31.

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Sir Patrick Duncan, the Governor General designate of South Africa, put the point very well. He said :

You are the oldest and strongest member of the Commonwealth. You live nearer to Europe : nearer to the scene of battlefields : nearer to the scenes of those international strifes and controversies which are tearing Europe apart to-day. Do not forget these free peoples overseas who are gathered in association with you. I hope you will not let these controversies in Europe pull you into commitments, even possibly into conflicts, in which it will be difficult for the Dominions to follow you.

It may well be, indeed, that a more fundamental decision is looming up than any that has confronted us since 1920. Is it really necessary that the whole world should remain tributary to Europe, so that if, as in 1914, an anarchic Europe once more stumbles into war, the whole world has to stumble into the inferno after it ? Is it true that if a war starts in central Europe it must inevitably drag first France and then Russia, then Italy and Japan, then Great Britain, then the Dominions and finally the United States into the vortex ? That is the direction in which we are moving to-day. Yet is not an alternative possible ? Might not the pan-American system and the British Commonwealth system, if they both detached themselves from any commitment to any other continental system, form a bloc so strong that no other Power or Powers would dream of attacking it, and economically and politically so stable that it could stand outside a European war, and yet exercise decisive influence in preventing war, in isolating it if it broke out, and in ending it quickly and on reasonably just terms ? If the European complex, which centres about the distribution of armaments and alliances, moves more and more towards a balance of power within itself, if British opinion continues to feel that it is not its business to take part in any European war that does not threaten the existence of France and Belgium, if the United States begins to feel that its present policy of neutrality will not suffice to keep it out of war, once Great Britain is dragged

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in, then the creation of such a group of nations, dedicated to the preservation of liberal and democratic institutions, detached from the war-systems of Europe and the Far East, may become a practical possibility. It is precisely questions of this kind which it is the business of the Dominions to compel the Europe-fascinated politicians of Great Britain to face next May.

# INTERVENTION IN SPAIN

IN order to see the British Government's policy towards the Spanish war in true perspective we must consider it against the background, not of the circumstances of the moment only, but of the whole course of the war. That course has run on two parallel planes, the one military and Spanish, the other diplomatic and international. It is scarcely too much to say that the first has been but a projection of the second.

## I. THE WAR: FIRST PHASE

THE war began with a military insurrection on July 18, 1936. But its roots went back much farther. With the advent of the Popular Front Government, the political balance in Spain had become precariously poised. On the one hand, the forces of the extreme Left tolerated the régime as a convenient façade behind which they could pursue their revolutionary organisation and propaganda. To the minds of the Comintern and its disciples, Spain seemed to be ripening for a communist *rendange*. On the other hand, the forces of the Right feared that their last chance of preventing the revolution might be slipping from them. The army officers in particular dreaded revenge for the Asturias repression, and the overthrow of their whole system as the main bulwark of the old régime. Their hope lay in striking first.

There is plenty of evidence that the revolt of July 18, though possibly hastened by the murder of Señor Sotelo, had been carefully plotted for some time beforehand. Whether foreigners played any part in the plot has not been

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revealed, though it was confidently reported that orders for the flight of a number of Italian aeroplanes and their crews to Spanish Morocco had been given on July 17, though it actually took place a week later. The likelihood is, in view of later developments, that some official quarters in Italy and possibly in Germany (which General Sanjurjo had lately visited) were aware of the Spanish army leaders' intentions and had offered their benevolence.

The generals, and whatever sponsors they may have had outside Spain, were clearly disappointed by what happened. Things did not go according to plan. The army revolt was quickly overcome in Madrid and Barcelona and others of the mainland centres, giving the Government control of the capital, the Catalan coast, and—what has ever since been vitally important—the communications between them. The larger part of the navy remained loyal. The Basque Nationalists, though clerical and conservative, stood with the Government, to the rage of the army leaders, who were forced to divert a considerable portion of their effort in the early phase of the war to the reduction of Irun and San Sebastian. Bilbao, with a great part of the Basque coast and hinterland, continued to hold out against them. To the Basque resistance General Mola partly ascribed, in an interview on August 4, the fact that "the fighting, which should have ended on July 26, is taking longer than was planned". These disappointments necessarily had their effect on the international side of the conflict. If General Franco did indeed have backers abroad, they were in a predicament. Active intervention was more than they had bargained for, since they presumably shared his hopes of a swift and decisive *coup d'état*. On the other hand, if the revolt were to fail, the last state of Spain would be from their point of view much worse than the first.

The decision they took became apparent as reports of the arrival of German and Italian aircraft grew more frequent and more confident. It is noteworthy that intervention at this period seems mainly to have taken the form of providing

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air forces, which it was doubtless thought would prove decisive against an enemy ill equipped in the air. Apart from air pilots and mechanics, there were no reliable reports of any German or Italian troops with General Franco. The military position was that the rebels had the command of the air (invaluable to them in securing sufficient control of the Straits of Gibraltar to transport their Moorish troops), and the Government had the advantage at sea, while on land an organised and generalised army opposed an ill-equipped militia under weak and inexperienced political leadership. The balance appeared to swing so far in favour of the rebels, in spite of their early reverses, that their friends seemed fully justified in believing that such comparatively limited assistance would be decisive. But of course the delay had given the Government also a chance of obtaining outside help. Levies said to amount to £1,000,000 a month were made upon Russian trade unionists and collectivised peasants for the benefit of "the Spanish workers". There is little doubt that in those early days war material and aeroplanes were shipped to both sides from many quarters, including Great Britain, in spite of prohibitions, licensing systems and official supervision. Volunteers also offered their services in large numbers, predominantly for the Government side.

The dangers of international intervention had not, however, escaped the responsible statesmen of Europe. On August 1 the French Government announced that it had

decided to address an urgent appeal to the principal Governments interested for the speedy adoption and rigorous observation in regard to Spain of a common rule of non-intervention. The French Government had, for its part, so far observed in the strictest fashion the decision not to authorise the export of arms for Spain.

It was not easy for M. Blum's Government to adopt this policy, pressed as it has been all along by its supporters on the Left to throw its weight behind the Government side in Spain. The policy of non-intervention by international

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agreement was promptly accepted by Great Britain, and on August 19 she banned the export of arms to either party in the civil war. Favourable replies to the French appeal were promptly received also from Belgium and Russia, while Germany, Italy and Portugal agreed in principle but suggested certain conditions, regarding particularly subscriptions of money and the enrolment of volunteers. These conditions could not then be fulfilled, but eventually, at the end of August, all the European Governments chiefly concerned had agreed to prohibit the export of arms, aeroplanes and munitions to Spain. There were further delays before an international committee could be set up to supervise the working of the non-intervention agreement. This playing for time coincided with an indecisive interval in the civil war itself, between the fall of Badajos to the rebels on August 14 and the surrender of San Sebastian on September 13. Nine days later the battle for Madrid was declared to have begun.

Meanwhile the balance of intervention seems to have been swinging the other way. Naturally the public reports of shipments of war supplies to Spain were incomplete and usually unreliable, but at least a hint was given by the course of the discussions in the International Non-Intervention Committee in London. Its earliest meetings were opportunities for Russia to levy charges of intervention against Germany, Italy and Portugal, whereas by mid-October the Soviet Government was predominantly on the defensive in the exchange of accusations. Indeed, it seems to have thought it necessary to excuse itself: on October 7 it addressed a letter to the chairman of the Committee stating that if violations for the benefit of the rebels were not immediately stopped the Soviet Government would consider itself free from its obligations, and a fortnight later it declared itself unable to "consider itself bound by the agreement for non-intervention to any greater extent than any of the remaining participants of the agreement". Soviet Russia, however, continued to adhere officially to

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the agreement. On November 19, in the House of Commons, Mr. Eden stated "categorically that there are other Governments more to blame than either Germany or Italy".

Still more decisive proof of the course of intervention was the actual war news from Madrid. Foreign munitions were known to be in use in both camps, Russian tanks and, later, Russian aeroplanes being prominent on the Government side. In the early stages of the Madrid fighting those tanks possibly played a decisive part in "holding the fort". It is worth remembering, however, that the rebel forces were halted at the banks of the Manzanares, in engagements that seemed almost to have turned the scales of the war, by the Spanish militia, not by the International Brigade; by an ill-armed citizen force, almost unprotected by guns or aeroplanes from the air bombardment that General Franco obviously thought might be decisive, but making the most of idealist courage and the tactical advantages of the terrain.

### II. THE WAR: SECOND PHASE

IT was while the Madrid fighting was stagnant that Italy and Germany—simultaneously, in almost identical terms, and after considerable confabulation—announced their recognition of General Franco's Government. The Berlin communiqué ran

Following the taking possession by General Franco of the greater part of Spanish territory, and now that the developments of the past weeks have shown with increasing clarity that there can be no longer any talk of a responsible Government in the other portions of Spain, the Reich Government has decided to recognise the Government of General Franco and to appoint a *Charge d'Affaires* for the opening of diplomatic relations.

A month later, in reply to a Franco-British memorandum in favour of mediation in the war, Berlin made an even plainer gesture of partisanship.

The German Government (ran the despatch) has by its recognition of the National Government expressed the view that apart

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from this Government no other factor in Spain can claim to represent the Spanish people. . . . A reconciliation with ("the party opposing this National Government") would seem scarcely conceivable.

The German and Italian recognition of the Burgos Government has been described as the most flagrant act of intervention in the course of the war. The argument behind this somewhat exaggerated description is this. Although Señor Azana had given way to Señor Caballero, the Madrid-Valencia Government was the continuous successor of the Spanish republican Government recognised by all the Powers, including Germany and Italy. To go on recognising it until it had been overthrown and replaced was but common diplomatic usage as well as continuity of national policy. To recognise a new Government when the old one had unmistakably disappeared would also be common diplomatic practice involving no partisan responsibilities. But to recognise a new Government which had begun as a military cabal, which had not even obtained command of the capital, and which might possibly (if unaided from abroad) be defeated and dispersed, while the great body of Powers still recognised the old régime, was to link the prestige of the recognising Government irtractably with that of the recognised.

Apart from its implications in the range of high politics, the decision had troublesome legal consequences which came to a head over the issue of the freedom of the seas. As this is being written, no important Government, whether sympathising with General Franco or with Señor Caballero or with neither, has recognised a state of belligerency in Spain. Therefore neither side in the war has been able to claim the rights of belligerents (including the right to impose a blockade), nor has the law of neutrality applied to third parties. In practice, however, all countries have treated each side in the war as *de facto* government in the area under its military control, with the corresponding territorial waters, and in those waters they have submitted

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to such checks upon trade and shipping as any government at war is entitled to impose. It is beyond territorial waters that clashes are constantly liable to arise between the official view of the majority of the world's governments (shared by the Caballero régime), that the latter is a legitimate government engaged in repressing a revolt, and the official view of Berlin and Rome (shared by the Franco régime), that the latter is a legitimate government engaged in clearing up the remnants of a collapsed and discredited faction.

On or about Christmas day the German steamer *Palos*, bound for Spanish ports, was seized and taken to Bilbao by warships of the Basque Nationalist Government. The seizure was said to have taken place outside territorial waters, and even Basque apologists spoke of a "twelve-mile limit". After a couple of days the Bilbao authorities released the *Palos*, but they confiscated part of her cargo which they said was contraband of war, and they kept prisoner a passenger of Spanish nationality whose papers were regarded as unsatisfactory. On New Year's day, as an act of reprisal for this incident, the Spanish steamer *Soton* was driven ashore in evading arrest under arms, in Spanish territorial waters, by the German cruiser *Koenigsberg*. The same day the "pocket battleship" *Admiral Scheer* took into custody the *Aragon*, which with another seized Spanish steamer was later disposed of to the Franco Government, as compensation for the retention of the passenger and part of the cargo of the *Palos*. These incidents exposed not only the high-handedness of German policy but also the anomalies arising from the different national attitudes towards the Spanish contestants. For Germany, the seizure of the *Palos* was an act of piracy, being committed neither by a recognised government nor by a recognised belligerent; on the other hand, if that was so, the proper recourse was direct retribution, not seizure of other ships simply because they also flew a "piratical" emblem, the Spanish republican ensign. For Great

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Britain, while the seizure of the *Polar* may have been illegal, her own wartime attitude towards the freedom of the seas might go some way to justify it; whereas the seizure of the *Arago* was clearly a hostile act against a friendly Power. Thus the German and Italian recognition of General Franco's Government greatly complicated the difficulties arising from the universal refusal to accord belligerent status to the two sides in Spain.

It had, of course, other and more direct consequences. It was the signal for the appearance in Spain of German troops on a large scale. Lack of sufficient troops had been said to be General Franco's chief handicap in pressing his attack on Madrid. Estimates of the number of German troops in Spain before Christmas varied widely, though few put the figure lower than 20,000. On December 21, M. de Kerillis, a leading French publicist of the Right, published in the *Echo de Paris* an estimate of the number of foreign troops in Spain based on information he had obtained at the insurgent headquarters at Salamanca. On the Government side there were said to be 10,000 to 15,000 Russians, mostly regular army units; 10,000 to 12,000 Frenchmen, all volunteers; 2,000 to 3,000 Belgian volunteers, and 2,000 to 3,000 Polish, Czech and German anti-fascists. On the insurgent side there were said to be 5,000 Germans equipped with special arms—airplanes, tanks, anti-tank guns and so on—in addition to two regular army divisions containing 20,000 to 25,000 men; 2,000 Irishmen,\* and some 2,000 others, including Italian airmen. These estimates, the most detailed published with any claim to authority in the ordinary press, must be regarded with the reserve due to their source. In fact, they are almost certain to have erred in over-stating the number of foreigners then serving on the Government side, even if they did not under-state the number on the insurgent side. In the light of other information, the figure for regular

\* This round figure is confirmed by THE ROUND TABLE's Irish correspondent. See below p. 363.

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Russian troops seems exaggerated, as Russia's assistance in personnel (like Germany's and Italy's in the earlier months) was known to have taken the form mainly of technicians, airmen, staff officers and key men generally.

### III. THE MEDITERRANEAN ACCORD

THAT, then, was roughly the position when the French and British Governments, acting in concert, made their Christmas *demande* in favour of stopping the flow of volunteers to Spain. There were two main reasons for feeling hopeful that this appeal might meet with success, in spite of the apparent German and Italian determination to help General Franco on a larger scale than ever. The first was the knowledge that Herr Hitler was being faced with an awkward dilemma over his Spanish policy. It was confidently rumoured that General Faupel, who had been sent to investigate the position in Spain, had reported that very much greater assistance (said to be on the scale of four to five more divisions) must be given to General Franco in order to ensure his success. The German general staff, who were known to have been diffident about the whole Spanish adventure, would certainly oppose acting on such a scale, to the injury of the army and to the jeopardising of its prestige. The clash between the views of the Reichswehr and those of the National Socialist party leaders would have to be resolved by Herr Hitler's own decision. The Franco-British move might thus prove a valuable opportunity for him.

The second factor was the approach of a Mediterranean accord between London and Rome. Negotiations to this end had begun in November, soon after Mr. Eden, replying to Signor Mussolini's claim that the Mediterranean was for Italy her very life but for the British Empire only a short cut, had affirmed that "freedom of communication in these waters is also a vital interest in a full sense of the word to the British Commonwealth of Nations". On

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January 2 a joint declaration was signed by the British Ambassador in Rome, Sir Eric Drummond, and the Italian Minister for Foreign Affairs, Count Ciano, who had been the principal negotiators. Its text was as follows :

His Majesty's Government in the United Kingdom and the Italian Government :

Animated by the desire to contribute increasingly, in the interests of the general cause of peace and security, to the betterment of relations between them and between all the Mediterranean Powers, and resolved to respect the rights and interests of those Powers;

Recognise that the freedom of entry into, exit from and transit through, the Mediterranean is a vital interest both to the different parts of the British Empire and to Italy, and that these interests are in no way inconsistent with each other;

Disclaim any desire to modify, or, so far as they are concerned, to see modified, the *status quo* as regards national sovereignty of territory in the Mediterranean area;

Undertake to respect each other's rights and interests in the said area;

Agree to use their best endeavours to discourage any activities liable to impair the good relations which it is the object of the present declaration to consolidate.

This declaration is designed to further the ends of peace and is not directed against any other Power.

The declaration was accompanied by an Exchange of Notes in which Italy gave her word against seeking any change in the territorial *status quo* as a result of the Spanish war.

What was to be read into the Anglo-Italian accord ? It was known to have been preceded by careful and detailed discussions, which presumably covered all the various possible points of conflict between the two countries in the Mediterranean. But British opinion was puzzled and anxious, on the Left because of the alleged implication that power politics ranked higher with us than League of Nations principles which Italy had flouted, on the Right because of the suggestion (promptly denied in official quarters) that undertakings had been given *sub rosa* to restrict our naval and air preparations in the Mediterranean. The lay public found it rather hard to understand the reason for making any agreement that might tie our

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hands in an area so vital to the whole Commonwealth; being reluctant to accept its purpose as nothing more than mutual protestation of good intentions, they were inclined to leap to the conclusion that Signor Mussolini had consented to attune his policy towards Spain more harmoniously with that of Great Britain.

It was not more than a day or two before this hopeful interpretation was shattered. The news spread that upwards of 10,000 Italian troops had been despatched to southern Spain, some before and some after Christmas. This was not outwardly very promising for the Anglo-French effort towards ending the supply of fighting men for Spain. Nevertheless the German and Italian replies, received on January 8, were encouraging rather than the reverse, apart from the obvious attempt to score an argumentative success. Their gist was that the two countries favoured the withdrawal of all foreign "combatants, political volunteers, propagandists and agitators" from Spain, and would themselves ban volunteering provided all the other nations concerned did the same, other forms of intervention such as money subsidies or propaganda were dealt with, and a system of unconditional effective control was agreed on. The British Government was so far satisfied with these replies that it promptly sent a Note to all Powers on the Non-Intervention Committee urging immediate action, and itself invoked the Foreign Enlistment Act to prevent the recruitment or departure of volunteers for Spain. A few days later M. Blum secured the passage, by unanimous vote in the Chamber, of a Bill with similar intent, but coming into force only on a date to be fixed under international agreement. Without this proviso, of course, the Bill might never have passed—certainly not unanimously. The Soviet Government likewise refused to act unilaterally. It is only to be supposed that Senor Caballero's friends as well as General Franco's were making every effort, in anticipation of a ban, to accelerate the help they were rendering; indeed it was reported that anti-fascist

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volunteers were pouring over the frontier in January at an even greater rate than the fascist reinforcements. Meanwhile the German and Italian replies were held up while General Goering and Signor Mussolini conferred in Rome.

In making up their minds—and it is noteworthy that this was one of the occasions on which the democracies surpassed the dictatorships in swiftness of decision and action—the German and Italian Governments were doubtless influenced by four main factors: first, their hatred of Moscow and the linking of their prestige with that of General Franco; second, the cost and danger of indefinitely expanding their commitments in Spain; third, the probability of their protégé's victory if a ban on further help to either side were forthwith imposed; fourth, the degree to which France and Great Britain were resolved to press their policy of non-intervention under international control. The last factor remained obscure. In recommending his Bill for the prevention of volunteering M. Blum spoke strongly in favour of effective international control.

But, needless to say (he said), if it proves impossible to arrive at an effective international agreement the French Government will be obliged to examine the problem in a different light.

This was widely interpreted to mean that France would institute her own system of control. But it was also consistent with the view that France might have to give up non-intervention altogether.

The result of the German and Italian cogitation was made known on January 25, when similar Notes were delivered by the two Governments in reply to the British Note of January 10. The German Government declared that it had already prepared a measure to prevent recruitment in Germany for the Spanish war, in anticipation of agreement by the London Non-Intervention Committee on the character of the non-intervention to be enforced, the system of control, and the date at which the measures

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would come into operation. Both countries renewed their demand for the removal from Spain of all foreign participants, civil and military, in the civil war, "in order to restore the position of August last year". While the Committee faced this task, the weight of the Italian troops was being felt in the insurgents' advance in the south.

### IV. THE BALEARICS AND MOROCCO

MEANWHILE, both British and French policy had been powerfully influenced by another aspect of foreign intervention in the Spanish war—the future control of those outlying portions of Spanish territory or spheres of influence which are of vital strategic importance. From the earliest days of the war, anxieties were entertained in informed circles in Britain and France over the destiny of the Balearic Islands and the Spanish Zone of Morocco. A hostile air or naval base in the Balearics would mortally threaten the communications of France with her African colonies, and would be a grave obstacle to British naval control based on Gibraltar. Even more menacing would be hostile command of Spanish Morocco. If Ceuta were developed as a rival Gibraltar it would have the positive advantage over the latter of being backed by an ample hinterland. Bases at Melilla or Tetuan would be just as damaging to Franco-British naval security as bases at Palma. The Atlantic coast of the Spanish Zone (not to mention the Canary Islands or the Rio de Oro) confronts the French route to West Africa and the British route to the Cape. Moreover, the zone would be a unique vantage point for anti-British and anti-French propaganda among the native peoples of north Africa, and by this as well as by direct means a hostile influence could put in jeopardy the landward and internal security of French Morocco and Algeria. Before the war, when the future of north Africa was in the melting pot, it was an essential principle of British policy that no great Power—not even France, and

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certainly not Germany—should command the coast of what became, as a result of Franco-British diplomacy, the Spanish Zone of Morocco. The British Government, through its spokesman Mr. Lloyd George, was prepared to bring Europe to the verge of war by its vigorous reaction to the German demonstration at Agadir.

It was not surprising, therefore, that Downing Street and the Quai d'Orsay should have been anxious when German and Italian intervention, in favour of a Spanish military insurrection that had been largely based on the Balearics and Morocco, showed which way the wind might blow. The anxieties were reinforced by the actual course of events. In the early days of the war, German warships became virtually stationed on Ceuta and Melilla, where their companies openly and even formally fraternised with the insurrectionaries. Early in September it was reported that Italian war materials had been landed in Majorca on a large scale. The well-known fascist leader, Count Rossi, was known to be virtually in command of the island, where he promoted fascist organisations, from battalions of eight-year-olds to a conscript army, and suppressed the Catalan language and Catalan loyalty. On September 12 the Foreign Secretary instructed the Chargé d'Affaires in Rome to inform the Italian Government that "any alteration of the *status quo* in the western Mediterranean would be a matter of closest concern to His Majesty's Government". The reply was that "the Italian Government had not, either before or since the revolution in Spain, engaged in any negotiations with General Franco whereby the *status quo* in the western Mediterranean would be altered, nor would they engage in any such negotiations in the future". This assurance was confirmed in the Exchange of Notes of December 31. The Italian Foreign Minister added his undertaking that, "so far as Italy is concerned, the integrity of the present territories of Spain shall in all circumstances remain intact and unmodified".

Almost immediately afterwards the lid blew off the

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cauldron of Franco-British fears over Morocco. Previously the complaints had been chiefly of German economic penetration in the Spanish Zone, in some directions amounting almost to monopoly, and of propaganda among the Arab population. On January 8, however, the French Ambassador informed Mr. Eden that "his Government had received news of the impending arrival in the Spanish Zone of Morocco of a strong contingent of German volunteers . . . that preparations for their reception in the form of barracks and food supplies was being made, and that German engineers were engaged on fortifications near Ceuta".\* The same day it was officially announced in Paris that the Government had "reminded the Junta at Burgos of the stipulation of the Franco-Spanish Treaty of 1922, forbidding the two Powers to permit foreign troops to enter Moroccan territory". The German press indignantly denied the French charges, and feeling ran high on both sides.

There was general relief when Herr Hitler assured the French Ambassador, on January 11, that Germany had no designs on Morocco and had no intention of violating the integrity of Spain or of Spanish possessions.† This led on to an invitation from the acting High Commissioner in the Spanish Zone of Morocco to the French and British authorities to send military officers through the zone to discover for themselves what was happening. The invitation was accepted, and the reports received as a result of the visit were cautiously described by Mr. Eden as "generally of a reassuring character, so far as concerns the alleged landing or preparations for landing of German troops". This was confirmed by the *Times* special correspondent, who reported that :

At Ceuta there was no evidence visible of any serious work on the fortifications near the town. . . . The general impression gained

\* Mr. Eden in the House of Commons, January 19, 1937.

† Legally the Spanish Zone of Morocco is not a Spanish possession or even protectorate, but a Spanish-administered part of the Empire of the Sultan of Morocco, who is under French protection.

## THE BALEARICS AND MOROCCO

from this north-eastern area is that military activity is normal and wholly Spanish; but that Germans are active at Tetuan, which is the commercial centre. . . . Air activity is almost wholly German, and is far from being purely commercial . . . \*

A similar account was given by Lord Cranborne in the House of Commons on January 27. As far as could be ascertained, he said, the number of Germans at Melilla and the air bases was about 150, but it was understood from the military commandant that their number varied considerably from day to day. Access to the aerodromes had been forbidden to the British investigators.

The dangers of foreign control in Morocco thus seemed to lie mainly in the future. Herr Hitler's and Signor Mussolini's promises are not to be ignored, but their scope must not be exaggerated. They refer to the strictly territorial integrity of Spain and Spanish Morocco; they do not rule out the possibility of economic, political and military monopolising of the Balearics or the Morocco Zone by Italy or Germany under the nominal sovereignty of a puppet state. Signor Mussolini even hinted that he might use the understanding with Great Britain as a pretext for open intervention in Spain if a "Soviet state" were erected in Spain or in part of Spain, an eventuality which he would regard as a violation of the Mediterranean *status quo*. Indeed it is not certain that in this the British Government might not sympathise with him. At present, Germany and Italy, in continuous diplomatic collusion as they are, seem to present the most direct threat to the military security of the British Empire, and Russia appears as a useful counterbalance. But that condition may not endure for ever; with a few more turns of the European wheel of fortune, which in the past generation has deposed first monarchy and then republic in Germany, has created democracies and destroyed them, has partitioned Austria-Hungary, bolshevised Russia, and turned the Sick Man of Europe into a strong dictatorship, there may come a time

\* *The Times*, January 15 and 18, 1937.

## INTERVENTION IN SPAIN

when our chief fears in Europe will be directed against Russia, as they were for the greater part of the century preceding the world war.

### V. BRITISH POLICY

THUS even the strategic considerations alone do not all point in one direction. They may make disinterestedness impossible for the Empire, but they do not thereby make intervention more desirable. The ideological war is a war between two enemies of British ideas and British institutions. If, according to our different political opinions, we reserve the worst of our gall for one—for communism or for fascism—that is no good reason for spilling our blood on behalf of the other. There has been a tendency among the British parties of the Left, who detest fascism and sympathise with the Russian experiment, to call for intervention in Spain on the side of Caballero, in the name of freedom. Freedom for Spaniards? Freedom for all Spaniards might indeed be a cause to stir self-sacrifice, but it must be freedom from the dictatorship of the proletariat—that is, of the communist party—as well as from the dictatorship of a fascist oligarchy. Freedom for Englishmen? War is the grave of freedom, and every act of intervention in the civil war increases the danger of international war. Behind the ideological clash lies the infernal mechanism of power politics. As often as not the one is but a cloak for the other. To take sides in Spain is to take sides in the European balance of power, and to fight on either side in the ideological war is to play the game of the dictators.

Imperial unity would be impossible behind such a policy. The Dominions would be perplexed by its motives, and if it dragged us into war—as well it might—they would be reluctant to assist us. A split in the British Commonwealth is a far more serious danger, to the British Commonwealth, than any possible outcome of the war in Spain.

## BRITISH POLICY

Possibly, the Spanish war is moving to an end. But the problem of British policy in this test case is of permanent importance. Barring intervention, the choice lies between two courses. The first is a purely national policy of non-intervention, combined with willingness to co-operate in any international measures to secure non-intervention that may be supported by all the other countries concerned. The second is the more positive policy of insisting upon all-round non-intervention, and backing that insistence with our diplomatic and, if necessary, our martial power. It would involve using the British navy to help in enforcing such measures of control as could be agreed upon by ourselves and the other non-interventionist Governments of Europe, with or without the co-operation of Rome, Berlin, and Moscow.

The choice between the two courses is thus a choice between one set of risks and another : between the danger of our being faced eventually by a puppet Spain, dominated by some potentially hostile dictatorship, entrenched at the mouth of the Mediterranean and alongside the route to the Cape, and the danger of our being faced much sooner by war as the only alternative to humiliation, should our policy of enforcing non-intervention be challenged by a reckless Power. It is not easy to determine which of these risks weighs the more heavily. Many observers claim that the danger of German or Italian military penetration on Spanish territory has been immensely exaggerated. Neither country, exhausted by its efforts in the Spanish war on top of its vast problems of " guns and butter " at home, would have the means, it is said, to establish itself in Spain or Morocco in face of the patriotism of the Spaniards and of the Moorish tribes. Others claim that the danger of war through enforcement of international non-intervention has also been exaggerated, since neither Germany nor Italy, certainly not Russia, is ready for a trial of strength with an Anglo-French bloc. There would be " incidents," outbursts of fury, but if we held our ground we should, it

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is argued, score a durable victory over anarchy and power politics in Europe, and save Spain for the Spaniards.

The weakness of British foreign policy is not due to a false choice between one set of risks and another. It is due to the apparent failure to see the risks until it is too late, until humiliation is the only escape from the consequences of sticking to our guns, which we suddenly realise are still too few to guarantee our security. That was what happened over Abyssinia, and that is what has been in constant danger of happening over Spain. The courage of our convictions, in a world of power politics, is limited by the strength of our defences.

One further reflection is prompted by the events in Spain and the way in which British policy has been forced by those events to develop. Their lesson is that nowadays wars and threats of war in Europe may not happen in anything like the 1914 manner, with ultimata, mobilisations, open violations of frontiers. Rather there may be a mutiny, a riotous election, a sectional uprising either spontaneous or engineered, and before the general public have had time to gather their wits foreign troops and munitions are everywhere. The outcome then is a desperate gamble, with world war and the future of civilisation as stakes on the table. If that is the kind of possibility we have to guard against in Europe, neither the sanctions technique of the League of Nations, nor the pre-League technique of neutrality and non-intervention, is sufficient by itself to determine the lines of our policy, and the policy of the Dominions. Both the League of Nations principle and the neutrality principle have played a vital part in solving the difficult problems of British Commonwealth relations in matters of foreign policy since the war; hence this new phase in international affairs will have to be earnestly and realistically considered by the Commonwealth statesmen when they meet in conference this year.

# CHINESE COMMUNISM: THE SIANFU INCIDENT

NEWS about the Chinese communists appears in the European press only sporadically. Yet in every turn of policy of the Nanking Government, in every one of its major decisions during the past six years, the communist problem has been an important consideration. Its foreign policy, for example, cannot be fully understood except in the light of the communist civil wars. The communist party is a kind of *eminence grise* of China—seldom seen or reported, but exerting an influence which, if indirect, has been profound.

## I. THE KIANGSI SOVIET

THE Chinese communist movement is, in origin, a rising of the peasants, similar in many respects to the *acquerie* in fourteenth-century France or the rebellions in Germany at the Reformation. That it is called communist is due to its drawing colour from its times. A peasant rising would probably have taken place in China even if there had been no Bolshevik revolution in Russia. Sovietism supplied the slogans for the peasant armies, but these armies might have been recruited as easily under other banners; they came into being less in response to an ideological appeal than as a result of the destitution of the peasants; and their leaders, far from seeking to imitate the state socialist programme of Russia, have based their appeal and policy on the Chinese situation and the psychology of the Chinese farmers.

As with all mass movements, the causes of Chinese

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communism are partly political, partly economic, and lie some distance back in Chinese history. With worsening economic conditions, a section of the population became disposed to revolt. Political circumstances gave them an occasion.

The recent history of China begins with the revolution of 1911, which overthrew the Manchu dynasty. This revolution, made by an ambitious general allied with a group of intelligentsia, was the last of the succession of revolutions that, beginning in France, swept during the nineteenth century through almost all the civilised world—literally from Peru to China—their object being the substitution of parliamentary and democratic institutions for autocratic government.

The Chinese intelligentsia in 1911 were interested in changing the political system. Yet what made their revolution possible—though few of them understood this—was not the desire of a large part of the population for constitutional government, but the distress in the countryside, the inability of the Manchu administration to bring relief, and the consequent feeling of the classes on which the dynasty reposed that its defence was no longer worth while. China is an agricultural country, and its strength or weakness, tranquillity or disorder, depends ultimately on the well-being of the farmers. At the opening of the twentieth century the country was experiencing an acute agrarian crisis. A long period of peace (broken only by the Taiping rebellion in the south and the Mahomedan rebellion in the north-west, which were a kind of prelude to the disturbances of the present time), had caused the population to expand. China as a whole was probably not over-populated. Much cultivable land was still lying waste; but to break it in required a capital investment and an organised effort greater than the farmers, on their own initiative, were capable of making. The richer agricultural areas became increasingly congested; and at the turn of the century, in the provinces south of the

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river Yangtze, at least half the holdings were no larger than one English acre. From such diminutive farms five or six persons had to find a living. Simultaneously the domestic industries, which had been a source of income nearly as important as agriculture and to some extent a compensation for the shortage of land, were depressed and in many areas completely destroyed by the inflow of factory-made commodities. Increasing poverty intensified the sense of grievance against a rack-renting tenancy system and a credit and marketing organisation by which the peasant was systematically fleeced. The problem of tenancy in China is on an entirely different plane from the problem in western countries such as England or Canada. Cultivating fairly extensive areas, farmers in these countries dispose of large crops, and can afford, without the risk of real want, to part with a portion of them as rent. But a Chinese family dependent for its living on a single acre is already on the subsistence level. To be compelled, out of a miserably poor income, to pay a considerable part to the landlord—40 per cent. of the main crop in 1911, and in later years much more—was regarded by the tenant as an almost intolerable grievance.

It is true that the Chinese farmer, compared with the European peasant of two hundred years ago, was a free man; there was no feudal system. It is true also that there were no *grands seigneurs*, and that the number of immensely wealthy land-owners was few. The landlords were mostly small men; those who had an income the equivalent of £500 were considered distinctly well off. It mattered little to the peasant, however, whether his landlord was an Esterhazy or a small rentier; it made his rent no smaller, the interest rate no lower. Chinese rural society was thus divided into two classes: the peasants tilling the soil; and the rural gentry, most of them by no means wealthy by our standards, but deriving their incomes from the rent, the interest, and in the case of officials the taxes, paid by the peasantry, and in return performing the services

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of maintaining the credit and marketing system, of running the local administration, and of maintaining the national culture and scholarship. The value of their services should not be underrated; but the bill they presented to society tended to be excessive.

The revolution of 1911 brought, and could have brought, no relief of the rural crisis. If parliamentary government had been established, the last thing the parliament would have discussed was land reform; for nearly all the members of a Chinese parliament were landlords. In fact the revolution failed to achieve even its political objects. And as a result of that failure—the passing of power into the hands of the war-lords, the break-up of the old administrative system, the collapse of the old morality and spread of cynicism among officials—the situation in the country-side still further deteriorated. Rents in some provinces rose to be 70 per cent. of the crop; and what the farmer was able to keep back from the landlord and the money-lender he was forced to pay to the tax collector.

A new period began in 1927 with the success of the Kuomintang, which was the old revolutionary party of Dr. Sun Yat-sen. After reorganisation, and with Russian aid, it had consolidated its position in South China, seized the Yangtze valley, and set up the National Government at Nanking. At first, by its attack upon the old style buccaneering war-lords, the Kuomintang rallied to itself all the radical groups in the country. Among these was the Chinese Communist party, which, founded in 1920, consisted chiefly of younger members of the intelligentsia (for the most part themselves the sons of the rural gentry) who had come under the influence of communist writers. The nucleus of the Kuomintang was, however, a professional military class and the substantial *bourgeois*. Though by no means obscurantist, and though genuinely determined to transform the old society—if possible, to turn China into something rather like modern America—these classes were opposed to drastic measures, especially

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to drastic measures against the land-owning interests. When the communists began organising rural soviets, the Kuomintang expelled them and took measures against them that have been described, not unjustly, as a white terror.

Thus began the civil war between the communists and the Government. For the time the communists went underground. From their experience in working with the Kuomintang, they had come to appreciate the intensity of the discontent among the farmers, and to realise that their best chance of reaching power was through a farmers' revolt. Concentrating their efforts on Kiangsi—a province in central China which, because of the suitability of its terrain for guerilla warfare, had become a centre for bandits and mutinous soldiers—by means of intensive propaganda they crystallised the general bitterness into a revolutionary movement. When, in 1930, the attention of Nanking was distracted by a revolt in north China, the communists managed to set up a soviet government over a large part of the province, and heavily defeated a punitive expedition sent against them.

The soviet lasted four years. It was in many ways the most peculiar government to be found in Asia. It re-cast the structure of society; organised a currency; changed the marriage and family system; maintained universities and schools. Soviet printing presses turned out a large literature, including two daily newspapers. The Lytton Commission reported :

Communism in China not only means, as in most countries other than the U.S.S.R., either a political doctrine held by certain members of existing parties, or the organization of a special party to compete for power with other political parties. It has become an actual rival of the National Government. It possesses its own law, army, and government, and its own territorial sphere of action. For this state of affairs there is no parallel in any other country.

Yet, during all this period, it was easier for a European—at least a European from a capitalist country—to visit

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the remote corners of Tibet than to penetrate into soviet territory. Kiangsi was a sealed state—sealed both by the blockade of the Nanking Government and by the Red frontier guards. The details of the soviet system have had to be learned at secondhand, from the biassed publications of the Nanking Government, the biassed publications of the communists, and the interrogation of farmers in the recovered areas.

Even on the extent of soviet rule there is no agreement. The communists claimed in 1931 to control sixty million people; actually, it seems that the number under their direct and continuous government was five or six millions, though the population on the fringe of red territory, which from time to time and for short periods was sovietised, was probably as large again.

The record of the soviet government is a combination of the detestable and the admirable. In some respects, Kiangsi seems to have resembled Plato's Republic; in others, a shambles. On the government's debit side is to be placed an extraordinary disregard for human life, a striking example of which was the execution, at one weekend, of 4,500 persons, not out-and-out opponents but members of the Communist party who had been guilty of a "deviation". The soviet state was based on class war; when a district was occupied the support of tenants and debtors was bought by the sacrifice of the gentry; the blood of the landlords was the need of the soviet state. It is, however, only fair to recognise that atrocities were more often inspired by private vengeance, the result of years of oppression, than sanctioned by the authorities.

On the credit side is to be reckoned a land policy that although brutal in its execution was not unsound in its general aim, and an education policy that might be imitated with advantage by the Nanking Government. In the present circumstances of China no lasting peace is possible without a drastic curtailment of the rights of land-owners; the dividend from agriculture is too small to sustain both

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the cultivating farmers and the rural gentry. The communist land programme was the violent one of eliminating the land-owners by expropriation and banishment; though the method may be deplored, the result—the creation of a nation of small-holders, of yeomen farmers—is what the Nanking Government must, if it is to survive, find some way, though a more equitable way, of achieving.

The merits of the education policy need no qualifying. Education is the first condition for the reconstruction of rural China. Health services, a co-operative movement, agricultural aid, can realise only a part of their usefulness as long as the peasantry is illiterate. The communists showed remarkable ingenuity in popularising their schools and in reducing their cost. A feature of their system was to train the children first, and to use them, organised in bands of "pioneers" on the Russian model, to educate the rest of the community. So successful were the methods employed that, whereas before the communist occupation 70 or 80 per cent. of the peasantry had been illiterate, it was found, after the reconquest, that in many areas a similar proportion could now read and write.

To what extent the Kiangsi programme was influenced by the U.S.S.R. or the Comintern is quite uncertain. It seems well established that there were, at least for a time, three or four Russian advisers in the province, and that the soviet was in touch by wireless with Vladivostok. But aid in money or materials, if it was given at all, was certainly very limited. The general impression is that Moscow, for the past three or four years, has been friendly disposed towards Chiang Kai-shek; and it is believed that, if any advice has recently been given to the Chinese Red Army, it has been directed towards the creation of a Chinese popular front.



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### II. THE MARCH TO THE NORTH-WEST

IN 1934 Kiangsi was finally reoccupied by the troops of the Nanking Government. The communist army—the Chinese Red Army—had shown great skill in defence. It was recruited from farmers and from soldiers mutinying against Nanking, and its discipline, both in war and in its relations with the civilian population, was very strict. It does not seem to have numbered more than 120,000 men, its size being limited not by lack of recruits but by lack of rifles. It possessed no artillery, and except for a very brief time no aircraft; and though in the early days of the Soviet it was able to import ammunition from the coast it depended, when the blockade had been tightened, upon supplies handed over by deserters from the Nanking troops, or obtained by purchase from corrupt officers on the Government side. Nevertheless, by guerilla tactics, by extreme mobility, by surprise attacks (in which radio was used to co-ordinate the movements of its units), and by first-class intelligence and espionage, it offered a surprisingly formidable resistance to the immensely more powerful armies of the Nanking Government. Its achievement is a proof that, on a certain kind of terrain, troops armed with machine-guns and skilfully handled are a match for even the best equipped modern armies—a significant fact in case of war between China and Japan. The Nanking troops, for example, found that in mountain country they could make little use of aircraft; their eventual success was won by road-building and by a system of block-houses which the communists, being without artillery, could not destroy, and which prevented the lightning raids on which the communist strategy was based.

The length of the campaign caused some speculation whether Nanking was using all its efforts to end the war as quickly as possible. The reconciling of the *bourgeois* element in the Nanking Government to a large standing army, the direction of the greater part of the public

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expenditure to military purposes, and the increase in the rôle of the army in politics—these are not the least important effects of the communist wars.

Upon being driven out of Kiangsi, the Red Army, about 100,000 strong, divided into sections, and by marches that were a considerable military achievement moved towards the north-western provinces. It was noticeable that, in the course of its manœuvring, it entered two provinces, Szechuan and Shansi, in which the Nanking Government had for long wished to increase its influence; and that the local generals, faced with the choice of extermination by the communists or aid (on conditions) from Nanking, chose the latter.

In the second half of 1936 the different sections of the Red Army, of whose combined strength there are the most varying estimates, reunited in the provinces of Shensi and Kansu. A first contingent had arrived in Shensi a year previously; and, settling in the north, where agrarian exploitation was especially acute and where soviets had already been organised by students from Peiping, began to erect a new soviet state. There was, however, one great change. In Kiangsi interest had been centred on the class war; in the north-west it was centred upon war with Japan. In Kiangsi, the communists had appealed for support to the proletariat and the tenant farmer; in the north-west, appealing for a national front against Japan, they promised respect for the life and property of all but the most substantial and most hated of the gentry. Either because they believed that there would be no chance for a communist revolution in a China dominated by Japan, or because they were more nationalist than they were communist, or because they saw in the revival of national feeling in China the best instrument for embarrassing the Nanking Government, they came out in new colours as Chinese National Champions. In a series of manifestoes, of which the most striking was issued on May 5 of last year, they asked for an armistice from the

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Nanking Government; suggested a conference in order to decide on joint measures against Japan; and offered in the event of war with Japan to serve under the orders of General Chiang Kai-shek.

The changed policy of the communists—as was perhaps intended—increased the political difficulties of General Chiang. Hitherto he has based his government on the support of four groups: the officer corps of the Nanking armies, the leaders of the Kuomintang (through whom he controlled the party organs), the Shanghai bankers, and the rural gentry, whose influence, though threatened, was still very strong. His programme was to increase the power of the Nanking Government; to modernise its machinery of administration; to fit China with the apparatus of modern civilisation—roads, railways, air services, industries. The rural crisis he proposed to meet by combining a progressive land tax, which would induce land-owners to reduce their estates, with the development of the co-operative credit movement, which would provide farmers with cheap funds to purchase the land thus thrown on the market. His foreign policy was to oppose Japanese aggression—but not to the point of war until he had so built up the army as to have some hope of success.

In December occurred the kidnapping incident at Sianfu. The communists had probably no direct hand in this; but Chang Hsueh-liang had certainly in mind the possibility of a united front with them; and communist influence and prestige have increased. The significance of the incident has not been sufficiently stressed in the European press; in China it is expected to lead to a reconstruction of the Government, with far-reaching effects on internal and international politics. The causes of the kidnapping of Chiang Kai-shek and some of the possible consequences are described in the following section by a correspondent in China.

## THE SIANFU INCIDENT

### III. THE SIANFU INCIDENT \*

IT is to-day the fashion to ascribe every political crisis in China to the influence of Japan or Russia. But the plain fact is that the drama that was staged in the remote and wintry province of Shensi was simply a Chinese family affair. The Japanese watched eagerly, but slightly bewildered, from the stalls, the Russians had dress circle seats in company with the rest of us. European commentators thought it incredible that Chiang Kai-shek should have blundered into his predicament at Sianfu. But the simplest explanation appears to be the correct one. Chiang Kai-shek is by no means infallible; and he overplayed his hand at Sianfu.

The situation that arose there had been blowing up for more than a year. Chang Hsueh-liang's troops left their homes and families in Manchukuo. They have no cause to respect Nanking, and their commanders owe no loyalty to Chiang Kai-shek. Chiang Kai-shek sought to employ their superfluous energies in fighting the Chinese Red Army in Shensi. They showed no great enthusiasm for this task. Their ultimate concern was to get back to Manchuria; their immediate objective was to make themselves comfortable where they were. They were short of funds; Chang Hsueh-liang could not supply them himself; for the past year or more there has been an insistent demand for an increased subvention from Nanking—a demand which Chiang Kai-shek was unwilling or unable to satisfy.

Some of Chang Hsueh-liang's officers lent a sympathetic ear to the propaganda of the National Salvation Association—an underground society supported by disgruntled elements among the intelligentsia and certain political factions which are left in the cold by the self-appointed oligarchy in Nanking. There is no doubt that Chang Hsueh-liang himself became involved in the movement.

\* This section has been contributed by a correspondent in China.  
—Editor.

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Its platform—active resistance to Japan and a broader basis for the Nanking Government—has a wide appeal. All political factions in opposition to Nanking advocate resistance to Japan.

The Manchurian troops—short of supplies and exiled from their homes—felt that they were in much the same situation as their fellow Chinese in the Red Army whom they were ordered to exterminate. Both were armies at large, loosely associated with identical elements in other parts of China. The principal motives of some of Chang Hsueh-liang's commanders may have been mercenary. Yang Hu-cheng—commanding the original Shensi garrison—probably hoped to use the occasion to strengthen his own position. But Chang Hsueh-liang himself was convinced of the futility of fighting the communists and genuinely dissatisfied with the policy of temporising with Japan. As long ago as last October he warned Chiang Kai-shek that the Shensi situation was almost beyond his control. Although the nominal leader of the revolt, he seems to have been carried into it, half-protesting, half-willing, by his own officers and by Yang Hu-cheng.

Chiang Kai-shek precipitated the crisis by his dictatorial methods, and by his tactless way of dealing with a patriotic student demonstration in Sianfu. His dramatic release on Christmas Day was due to a combination of three factors—his lucky star, resolute action taken in Nanking, and the personal character of Chang Hsueh-liang. Part of his good fortune lay in the fact that the Shensi revolt was unsuccessful. Help was expected and eagerly sought from provinces in other parts of China. But no support was forthcoming: even the recalcitrant generals in Kwangsi stood fast. They learnt their lesson last summer when the North-West failed to respond to the overtures made on that occasion by the South.\* The ill-assorted group of politicians and militarists who found themselves at the helm in Nanking decided to march Chiang Kai-shek's trained divisions upon

\* See *THE ROUND TABLE*, No. 104, September 1936, pp. 688 *et seq.*  
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Shensi. This concentration of central Government troops had a sobering effect in Sianfu.

Nanking persistently stated that no political bargain was struck at Sianfu. Chang Hsueh-liang demanded a less compromising attitude to Japan and the summoning of a general conference at Nanking to discuss national policy, in which all political elements, including the communists, would take part. There is little doubt that Chang Hsueh-liang came down to Nanking with the feeling that Chiang Kai-shek had experienced a change of heart. But the cleavages that have now come to the surface in the Kuomintang and among Ministers in Nanking have shaken Chiang's position—at least for the time being. His personal inclinations remain a mystery; but he probably emerges from his Sianfu experience a wiser and more tolerant autocrat. This may eventually bear fruit.

The alliance between the Chinese Red Army, the National Salvation Association and Chang Hsueh-liang—focussed at Sianfu—may perhaps be described as the nucleus of a Left bloc in opposition to the militarists and monied elements in control of the Nanking Government. Apart from domestic considerations, an avowed compromise between Nanking and the communists is ruled out of court on account of its possible repercussions on Japanese policy. To Japan a communist is always a communist and as such beyond the pale. But it is conceivable that Chiang Kai-shek, in order to strengthen his own position, may be compelled to adopt a sterner policy towards Japan. How far dare he go in meeting the forces arrayed against him, both inside and outside the Kuomintang, without inviting another onslaught from the Japanese military machine?

## THE BIRTH RATE AND THE EMPIRE

IT would be interesting to consider what part has been played in the development of modern economic and social ideas by man's boundless and unquestioning confidence in the indefinite expansion of his numbers. This confidence must have been a strong stimulus to those ideas of inevitable progress which still linger in liberal minds in western Europe; it undoubtedly still plays a part in the calculations of business men and philosophers. And political parties, when they expand their programmes of social services for the population, seldom stop to think how far these services may be superfluous fifty years hence; nor do they consider, for the most part, how the cost of these services is to be distributed in the future. Yet, if present population trends persist, nothing can be more certain than that some of our schools, teachers, trains, reservoirs—perhaps many of our houses—will be superfluous; that a smaller proportion of the population will be supporting the expenses of the "paternal state", whose burdens will grow year by year as a greater proportion becomes incapable, by virtue of age, of self-support and contribution to national income.

There is obviously a simple argument, based on pride of race and considerations of man-power, for feeling alarm at the figures. There is also an obvious but fallacious argument for the view that the British Isles and the world in general are over-populated; that many of the world's troubles—for instance, the ambitious foreign policies of Italy and Japan—are caused by the pressure of population on space. What has not yet been generally considered is

## THE PROBLEM IN GREAT BRITAIN

the probable result of a rapid decline in population upon an economic system of the type that we have in the British Empire. The political dangers of leaving the Dominions so under-populated that they offer a tempting contrast to the crowded nations of Europe and the East are obvious. But the economic dangers of a general decline have still to be examined. The present article does not undertake this highly specialised and difficult task, but suggests some lines of investigation that should be followed up by experts.

### I. THE PROBLEM IN GREAT BRITAIN

LET us first survey the alarming situation in Great Britain itself. There is yet no evidence to suggest that the British population will in the future maintain its numbers. The small family has become the rule in those strata of the population that set social fashions. All the circumstances of the higher economic classes encourage the deliberate limitation of families: their housing, their educational standards, their social standards, the domestic servant problem, the changed status and outlook of women, the higher standards of amusement and leisure activities, which take the parents out of the home.

At the most fertile period of population expansion in the last century, between 1851 and 1860, the rate of natural increase of births over deaths in Great Britain was 15.1 per thousand. That rate is now between 3 and 4 per thousand. To appreciate the importance of this decline for the future, it must be emphasised that the key to population changes must be sought in the statistics dealing with women between the ages of 15 and 45. If a population is to maintain itself it must clearly maintain its proportion of women capable of child-bearing. It is not enough, moreover, that every 1,000 women should produce 1,000 girl babies within the fertile thirty years; for some of the new generation will die before they reach maturity. Yet there has been a disastrous fall in the "specific fertility rate". In 1871, on the average,

## THE BIRTH RATE AND THE EMPIRE

1,000 women produced 292 children per annum; two years ago, 1,000 women were producing 110 children. There is no sign of improvement as yet. The critical factor is what is known as the net reproduction rate,\* which represents the ratio of each succeeding generation of women of child-bearing age to its predecessor. Our net reproduction rate is below unity. In fact, only three European countries show a rate above unity: Bulgaria, Italy and Russia. In England and Wales the rate was 0.734 in 1933. To realise the full significance of this figure it must be understood that the situation created by it gets rapidly worse with time. By the end of the century, if present trends continue, not merely will the British population be only half its present size, but 64 per cent. of the women will be over child bearing age. To those who deny the urgency of the problem it must be pointed out that the present tendency to stagnation of numbers is the result of factors that were active as long as thirty to fifty years ago. In short, at our present birth-rate we shall lose a quarter of our population per generation, once the decline begins. And that will be very soon.

Dr. Leybourne, with a not unreasonable set of assumptions,† foresees a decline of 12 millions in the next forty years. Another more pessimistic estimate puts the population at under 20 millions a hundred years hence. From the political and financial point of view, the age-distribution aspect is even more disturbing. The Italian press was reported recently as pointing at the "senescence" of this country. What are the grounds for this? If Dr. Leybourne's assumptions hold good, the number of people under 45 will fall from just over 31 millions to about 16 millions in 1976, while the number over 45 will rise from about 13½ millions to over 16½ millions. The present

\* A statistical device worked out by Mr. Kuczynski of the London School of Economics, combining birth statistics with average mortality rates among women.

† See *THE ROUND TABLE*, No. 97, December 1934, p. 78.

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ratio of about three to one between the younger and the older group will change to a ratio of equality.

No doubt the rapid and remarkable victory of science, hygiene and food production over the death-rate during the last century made some adjustment of the birth-rate necessary. There is no reason to wish the populations of Europe to expand indefinitely at the rates of the last century; although in Russia it seems inevitable that such an expansion will take place. But we have now reached a stage where the small family system is becoming universal. To reverse the trend will involve far-reaching changes in social habits, in outlook, in family and educational standards. To take only one example—at present rates of reproduction, the “public school” class in England is heading for extinction. It is limiting its numbers in order to ensure a high standard of education and social advantage to its children. As its educational demands increase, the amenities of the public schools have to increase, with consequent increased fees. The high fees in their turn discourage the birth-rate of the public-schools’ customers. To break this vicious circle, propaganda, argument, leadership, and probably financial inducement are necessary. In Germany and Italy it was quickly realised that the problem was not only economic but also psychological. It was seen that, as living standards rise, families decrease, a tendency which is obviously eugenically bad.

The view is frequently expressed that a falling population may be welcome as a solution of the unemployment problem. But there are two clear answers to this. First, thinly populated countries like the Dominions have had just as serious unemployment problems during the depression as densely populated countries like Great Britain. Secondly, as the number of producers falls, so does the number of consumers. There seems fairly general agreement among economists that a rapid decline of population in a complicated economic system can bring nothing but trouble and maladjustment.

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Apart from the economic arguments, there are grave political, social and even moral arguments against allowing a decline to go unchecked. Pride of race has been so exploited and cheapened by political propaganda in post-war Europe that the modern English politician or publicist can speak of it only with trepidation. But the following questions are not merely rhetorical. Can we look forward without alarm to the dwindling of a race that has shown, if nothing else, a genius for self-government, that has preserved free institutions and gained a new conception of imperialism? Can we look forward hopefully to a time when there will be a sudden shrinkage of demand from one of the biggest import markets of the world? Can we look forward hopefully to a sudden decline in the youth, the man-power and the taxable capacity of Great Britain? Can we look forward without misgiving to a time when of all the world's races only the peoples of Asia and perhaps of eastern Europe will be expanding in numbers, while the nations with the highest economic standards inevitably decline? This last question is not, for the British Empire, one only of its relations with foreign countries. The population increase of India, while creating a stupendous problem for India itself \*; intensifies the problem for the less densely populated countries of the Commonwealth.

A writer in the *Hibbert Journal* has pointed out that, unless nations can learn to control population trends, the social utopias on which European liberals, socialists and communists have set their hearts must remain beyond their grasp. Over-population and sudden declines in population alike endanger standards of living in a community. It is indeed strange that the necessity for a state population policy has been so long ignored in face of the demand for more and more control and stricter and stricter planning of economic life. It is as if a hotel keeper planned his furniture, his menus, his prices, his amusements, without making sure how many guests he would be likely to

\* See below, p. 386.

## THE PROBLEM IN THE DOMINIONS

have, or whether they would be mostly Old Fogies or Bright Young Things.

### II. THE PROBLEM IN THE DOMINIONS

THE problem of population has a direct as well as an indirect importance for the British Commonwealth overseas. For the Dominions, the question is not merely one of saving stagnant populations from decline, but rather one of ensuring that adequate use shall be made of the space and resources of under-populated areas, which may be a future cause of envy among nations that consider themselves over-populated. The Astor Committee on Empire Migration made some useful comparisons between the density of population in the United States and the density in the Dominions. Canada is calculated to have 1,350,000 square miles fit for white settlement. If this area were populated at the present density of the United States, Canada's population would be 50 millions instead of under 11 millions. It must be remembered that of all the Dominions Canada has the best population record, her net reproduction rate being over unity. On a similar calculation, Australia could hold 46 million people instead of 6.7 millions, and New Zealand could take nine times her present population of a million and a half.

What prospects are there that these nations will make fuller use of their resources of space? Their populations may grow by natural increase of births over deaths and by the influx of immigrants. Until five years ago the population of the Dominions was increasing at the rate of roughly 20 per 1,000 per annum. What relative parts were played by migration and natural increase? In Canada, during the peak migration period (1901-11) there was an annual net gain of population of 3.41 per cent., of which 1.59 per cent. was due to natural increase and 1.82 per cent. to net immigration. Twenty years later, the annual increase was only 1.81 per cent., of which 1.51 per cent. was due to natural increase and only 0.30 per cent. to immigration.

## THE BIRTH RATE AND THE EMPIRE

In Australia and New Zealand the decline in the rate of increase was even more serious. In 1931-2 the increase in the Australian population was only 0.77 per cent., in the New Zealand population only 0.71 per cent., and there were more emigrants than immigrants.\*

In all three of the great immigrant countries of the Commonwealth there has been a sharp fall in birth-rates. Between the 1921-25 quinquennium and 1934 the rate per thousand of population fell from 27.1 to 20.4 in Canada, from 23.9 to 16.4 in Australia, and from 22.2 to 16.5 in New Zealand. As one would expect from these figures, there has been a startling drop in the rate of natural increase, which is now around 11 per thousand in Canada, 7 per thousand in Australia, and 8 per thousand in New Zealand. Fifteen years ago the rates were 16, 14.4 and 13.6 respectively. It may be remarked in passing that those who maintain that fear of war is a prime cause of declining birth-rates must account for this resemblance between Dominion and European trends.

Clearly any rapid increase of the populations of these countries to a density comparable with that of the United States is out of the question under present economic and political conditions. But let us assume as possible the rate of increase that prevailed up to 1930. That rate was about 2 per cent. per annum. To maintain this rate now and in the future would demand the arrival of about 200,000 emigrants annually in the Dominions—a rate of migration above that of the peak years at the beginning of the century. The average annual immigration into Australia between 1905 and 1930 was 23,000; if the increase of population suggested above were to be maintained, an annual immigration of 87,000 would be required.

The British population problem, as stated in the opening pages, is bad enough. But if immigration into the

\* A later article in this issue of *THE ROUND TABLE* records the anxiety felt in New Zealand over the trends of population and migration.

## THE PROBLEM IN THE DOMINIONS

Dominions is to be mainly or entirely confined in the future to British stock the imperial population problem becomes bewildering. At a time when Great Britain's own population is turning away from its peak, the interests of the Dominions require of her an outflow of 200,000 people a year. Unless steps are taken to deal with the British birth-rate, such an outflow would be eugenically and economically disastrous. Not only would it mean transferring the centre of British civilisation to another hemisphere; in a few generations it would transform Great Britain into a nation of pensioners.

The industrial and commercial outlook, if present population trends continue, is scarcely less disturbing. A rapid fall in the population of Great Britain would surely deal a final blow at the principle on which the prosperity of the Empire was built up in the last century, the principle of an international division of labour, of the exchange of British manufactures for oversea raw materials and food-stuffs. It might be possible for a declining population to maintain a rate of production out of all proportion to its man-power, thanks to improvements in machine technique. But its demands for foodstuffs and the simpler necessities of life would inevitably so shrink that the mechanism of exchange would be seriously upset, unless the oversea countries could develop new lines of export. Moreover, it seems probable that in a shrinking community the character of demand would change; services, highly manufactured goods, luxury goods would be proportionately more in demand than ordinary necessities. These objects of demand, even if not essentially produced when they are consumed, have as a rule little bulk in relation to value, and therefore require a smaller volume of shipping—another great imperial industry. The change in the proportions of young and old people would tend to increase the burden of taxation on the productive section of the community. When the tendency to decline had dangerously accelerated, it seems unlikely that the community

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would be strong enough economically to undertake the task of replenishing its numbers. An attempt to increase the population would demand extraordinary efforts from every member of the community, involving probably serious curtailment of individual liberty and standards of living.

Optimists who are content to leave this task to future generations should realise its full immensity. At present rates, 1,000 mothers born thirty years ago may produce 750 girl babies. After another generation, these girl babies will probably produce only 570 daughters, even if birth-rates do not decline. If a revival of the birth-rate is attempted thirty years hence, can those mothers seriously be expected to produce children at twice the rate necessary to ensure their own replacement? That is what would be then required. As Professor Carr-Saunders has urged, the problem is one to be dealt with in the next twenty years.

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IT must be repeated that the various aspects of the problem call for expert investigation. For instance, what will be the military position thirty years hence? Clearly there may be a scarcity of young man-power in an emergency. Will the Dominions be ready to take a larger share in the burden of imperial defence? Will the United Kingdom still be able to bear the cost of maintaining the strength of an imperial Power? The empire of the Netherlands reveals the situation that arises when a colonial Power has defensive responsibilities beyond the capacity of a small population. It is no exaggeration to say that Dutch sovereignty in the East Indies is at the pleasure of the three naval Powers of the Pacific.

Another disturbing aspect of the power problem is revealed by the population figures of the so-called "expansionist" or "have-not" nations. The population of Italy in 1961 will probably have reached the figure of 47 millions; that of Germany will probably reach a maximum

## POPULATION AND POWER

of about 70 millions in the next thirty years before it begins to decline; that of Japan, according to a Japanese estimate, will be about 70 millions in 1950 and will not begin to decline until it reaches a figure between 80 and 90 millions.

The picture that emerges may well make us anxious. On the one hand the great imperial and colonial countries, France, Great Britain, Holland and Belgium, will certainly face a decline in numbers during the next thirty years, unless policies and habits are changed. On the other hand, three great Powers, discontented with the post-war settlement, without special access to space for settlement (apart from the territories they have already seized by force), ambitious, ruled by authoritarian régimes, prepared to sacrifice prosperity to military efficiency, can look forward to an increase in their numbers in the next thirty years, an increase which two of them are doing all in their power to maintain. Can it be only coincidence that the nations that have accepted authoritarian government, militarism and extreme nationalist doctrine are also those which are increasing their numbers and working out a national population policy? German Nazis maintain that there is a close relation between the mood of a people and its willingness to produce children as a pledge of confidence in the future. Political enthusiasm, mystic nationalism and deep devotion to the racial creed are helping to obscure economic realities. The young people of these nations are encouraged to look forward to a future of expansion, creation, and opportunity. By contrast, so far as we can tell, the young people of western Europe think more of consolidating their gains, of internal reforms, of social happiness and intellectual advance. In fact, one group seems to be planning for the race; the other seems to be planning for the individual. Here we are concerned, not with the question which of these philosophies is right, but only with their consequences in the demographic and social field.

## THE BIRTH RATE AND THE EMPIRE

Until some kind of large-scale investigation has been carried out it would be rash to try to dogmatise about the causes of population decline. But two things seem clear. First, there is no necessary connection between rising standards of living and rising or recovering birth-rates. Economic fluctuations cause minor variations in the birth-rate—largely by delaying or accelerating marriages—but do not change its trend. As the English family rises in the economic scale it tends to restrict its numbers. Secondly, it seems likely that the tendency to place the interests of the individual before those of the community plays an important part in British population trends. The growing knowledge of birth-control methods, the changing character of house accommodation, rural depopulation and high standards of living and education—all these have been put forward as contributory factors. But they do not entirely explain why people want fewer children.

There seems no reason why the population problem should not be dealt with by democratic methods. Financial inducements alone cannot remedy the situation. The public has first of all to be shown that the problem exists; the experts must study its scope and causes; politicians should consider what has been attempted in other nations. The problem in Great Britain is clearly one for its people and their representatives; but the imperial problem needs the attention of some authority capable of viewing it as a whole. Is it too much to ask that the coming Imperial Conference should give its attention to this vital matter? In the Dominions, as in England, the ordinary citizen is probably ignorant of the situation. The least that can be done is to ensure that it should have proper publicity.

# RUSSIA'S DEFENSIVE STRENGTH

*By a Correspondent*

## I. TWO FRONTS

MARSHAL TOUHACHEVSKY is one of the outstanding military minds in Russia. His address on January 15, 1936, at a session of the Seventh Congress of Soviets, aroused world-wide attention. After surveying German and Japanese military preparedness, he said : " We are facing a situation in which as a matter of absolute necessity we must be prepared for a simultaneous and utterly independent war of defence on two fronts (east and west), which are ten thousand kilometres apart".

In spite, then, of pacts with France and Czecho-Slovakia, and in spite of Litvinoff's efforts to round up other allies for Russia, the Soviet general staff is preparing for the worst possible emergency, a war simultaneously against Germany and Japan. The world remembers the defeat of the Russian armies in the Far East in 1904, and their even more violent defeat by Germany during the world war. Those episodes seemed to prove that Russia could not win a war against an enemy with a more modernised industrial machine than her own, except when he moved too far inland and had to scatter his forces. In past centuries, it was Russia's good fortune that she was surrounded by nations more backward than herself. The conquest of Siberia, Central Asia and the Caucasus would never have been possible had these lands been inhabited by an organised, nation-conscious people. Now, with only one more year to finish the second Five-Year Plan, Russia is openly proclaiming that she finds herself obliged to prepare for a

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war against two of the most thoroughly militarised nations in the world, both supported by highly developed industrial machines, and both of whom, in previous encounters, have inflicted on her decisive defeats.

Russia's position may become further complicated, because, while Japan through her control of Manchukuo has immediate contact with Russian territory, Germany can only reach her by "borrowing a border", as Stalin has put it recently. Such a contingency, apparently, Voroshilov, the Soviet Commissar of War, had in mind when, in a speech at Kiev on September 16, 1936, he said: "I have announced more than once, and in your presence I want to repeat . . . that if the enemy attacks Soviet Ukraine or White Russia or some other part of the Union it is our intention, and our firm will, not only to keep him from our fatherland, but to engage him on the territory from which he came". The implication of these words is clear. If any of Russia's immediate neighbours allow themselves to be used as "borders", the Red Army will move to occupy them, in which case the enemy may have one or more allies, even if small ones, in his campaign against Russia.

Yet no one who has watched Russia at close range during the past ten years will venture to predict that the German and Japanese armies, with or without allies, would be able to defeat her in the sense of overthrowing the communist régime. The Revolution has transformed Russia, giving her sources of courage and power that she never possessed in all her history.

## II. THE COLLECTIVISATION OF LAND

**T**HIS collectivisation of the land comes first, not only because farming is the source of food and certain raw materials, but also because in Russia it involves a population of 100 million people, who furnish more than half the soldiers in the Red Army.

## THE COLLECTIVISATION OF LAND

It is difficult to say what might have happened in the Ukraine and the Kuban if Russia had been attacked by an outside army in 1932. At that time the peasants were in a bitter mood. Collectivisation was so overwhelmingly different from anything they had ever known or thought of that they fiercely resisted its advance. The present writer visited the village of Reshitilovka in the Ukraine in the autumn of 1932. A large village, of about 700 families, with neat, whitewashed cottages and stately trees, it was steeped in hopelessness. Everywhere peasants were bursting with eagerness to unload themselves of their woes. They rushed out from every yard, and pleaded to be allowed to tell their story. The Government had taken so much grain from them the year before that when winter came they were without bread, and had to go off to other parts of the country and exchange boots and sheepskin coats for rye and maize flour. Now the Government was again taking from them an inordinate share of their crop, and what would they do when the cold months came and there was no grain in their bins? Their cows and pigs, those that had survived the famine and the slaughter of the previous year, would die, and they, too, would die. Save for some of the revolutionary young people in the village, there was not one who saw hope ahead.\*

The change in four years is almost unbelievable. Writers who are tempted to make comparisons between the French and the Russian Revolutions must remember that the one occurred at the beginning of the machine age, the other at its height. Again and again the machine has come to the rescue of the Russian Revolution, and has quickly healed up wounds that an unexpected catastrophe had inflicted on the country. Certainly the village of Reshitilovka, this last summer, was a living example of such a recuperation.

\* During the earlier period of collectivisation, more than half the livestock of the country was lost, the number of horses, cattle, pigs, sheep and goats falling from 276 million head in 1928 to 127 million head in 1934. A great deal of the loss has still to be recovered, and the position is regarded by experts as still precarious.—*Editor.*

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Hardly a peasant family but had a cow, and some boasted more than one cow and one pig. The three collective farms into which the village was divided had imported beehives in the spring, some of which they had distributed among members for their individual use. In 1932, people wandered about the market place sadly and sullenly in vain quest of eggs and butter. The sale of meat was completely forbidden. Now the tables groaned under the weight of cheese, butter, eggs, meat and other foodstuffs. On the fringe of the bazaar, peasants were selling for meat live cows, sheep, calves, pigs and fowls. The shops which four years ago boasted mainly cosmetics and cobwebs, which had not an ounce of sugar or cereals or herring, were now crammed with sugar, white flour, cereals, herring, vegetable oils, sweets, cigarettes and tinned fish and meat. The number of shops had multiplied at least three times. Everywhere in the Ukraine this summer it was the same story of abundant crops, fewer and fewer families without their own cow, pig, chickens. Everywhere collective farms were setting out huge orchards, developing large apiaries, digging ponds, in which to catch the spring waters and use them for pleasure, for the cultivation of fish and for irrigation.

The Kuban, the land of the doughty Kuban Cossacks, was even more of a revelation. There, four years ago, people were in open rebellion. Women and children, and sometimes men disguised as women so as to avoid possible physical retaliation, marched up and down the streets heaping oaths and curses on Soviet officials. In the settlement of Mayevskaya the condition was so critical that Molotov, the Prime Minister, came down for a conference with the population. Sullen and revengeful, the Cossacks at first refused to talk to him, and some wanted to beat him up. Yet now Mayevskaya, re-christened Krasny Tamanetz, is one of the most prosperous collective farms in the Kuban. Its people received, in 1936, for each labour-day 4½ kilogrammes of grain and 6 roubles in cash,

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in addition to other forms of produce. The collective farm has its own electric plant, which furnishes light for every home and every barn, and seventy new houses were being built for members. In another Cossack settlement, Slavenskaya, with a population of 24,000, there was only one militiaman, and he a Jew from another part of the country. The mere presence of a Jew as guardian of the peace in a village in the Kuban, where Jews in the old days were not allowed to live, speaks much for the changed condition and the changed temper of the population.

Because of the altered attitude of the Cossacks, they now again have their own divisions in the Russian army, and are once more admitted to all military academies. Moreover, they are again allowed to wear their ornate uniforms and to carry their old weapons—the sword and the dagger. The Soviets, who fought the Cossacks more desperately than any other group of the population, would be unlikely to grant them these privileges if there were any danger of disaffection.

Collectivisation of the land is the only apparent reason for the amazing change in the condition of the Russian countryside and in the attitude of the people, Cossacks and peasants. Dire as has been its cost in human life and in sorrow, few peasants, even among those who loathe the new discipline, still doubt its superiority over the old way of farming. Of course, there are regions where, because of bad weather or poor organisation or incompetent leadership, the collective farms are in difficulties. The drought of 1936 in the Volga districts and in the southern provinces, which had had no drought for nearly a century, brought much hardship to the population. The Government had to rush grain to certain Volga territories to save them from starvation. Besides, with nearly a quarter of a million collective farms, it is only natural that a certain number of them should still be in a disorganised state. But, in the country at large, collectivisation has become

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firmly entrenched; the 445,000 tractors, the 90,000 combines, the 2,600,000 other modern implements have wrought a great change, not only in the land, but also in the minds and the lives of the Russian peasantry. The recent statute allotting the peasant from half an acre to two acres of land for his individual use, and assuring him the private possession of up to one cow and two calves, one sow and a litter of pigs, ten sheep and goats, twenty beehives and all the poultry he can raise, will strengthen his attachment to the collective farm, if only because without it he could not feed the livestock he may now acquire.

From a military standpoint the advantages of collectivisation are obvious. It assures an improved tillage of the land. It replaces the old agricultural habits and traditions of the peasantry with modern and advanced methods. It trains the peasant in the use of the machine—there are more than three million trained tractor operators in Russia. It keeps the peasantry organised in effective units, and gives them an understanding and experience of large-scale organisation. It prepares tens of thousands of women to carry on the work on the land, if necessary, while the men depart for the front. It gives the government complete control of the food supplies of the country. In guerilla warfare (such as followed, for example, the Japanese occupation of Siberia in the final years of the civil war), which is bound to break out in the event of foreign occupation of any Russian territory, every collective farm will be a nucleus of organisation, and may become a little fortress which the invaders will have to storm down. Above all, collectivisation gives the country an organic unity and strength which few other countries possess.

### III. ECONOMIC STRENGTH AND WEAKNESS

**I**N industry, the changes the Revolution has wrought are scarcely less apparent to the physical eye than in agriculture. One of the first tasks the Soviets embarked

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upon was a scientific survey of the riches latent in the vast Russian lands. Only about one-third of the country has yet been searched, and the results as published by the Russian Geographical Society reveal a variety and amplitude of raw materials of which Old Russia had not been aware. The estimates of reserves of basic raw materials, such as coal, iron, copper, lead and zinc, have been multiplied many times.

Appatites in the Kola Peninsula were unknown in the old days. Now a new city of 35,000 has sprung up beyond the Arctic Circle devoted to the exploitation of this valuable mineral. Potash in the Urals was known and worked, but not as extensively as now. It is estimated that the deposits amount to 15 billion tons. In the old days, Russia had to import her aluminium; now the deposits of bauxite discovered in the Leningrad province and in the Urals are keeping busy two new factories, one at the Volkhov works, near Leningrad, and one at the Dnepropetrovsk works in the Ukraine. The exploitation of natural resources has been part and parcel of the industrialisation of Russia. The table on the next page shows the degree to which she has made herself independent of outside sources of supply.

Russia is in peace-time reasonably self-sufficient in coal, iron, manganese, zinc, aluminium, superphosphates, oil, cotton, chromite, and is nearly independent in cellulose. In this respect she has considerable advantages over both Germany and Japan. Germany must import oil, about half of her iron ore, and all her cotton, also manganese, nickel, bauxite; and Japan is in an even more vulnerable condition. In addition, Germany has to import substantial amounts of food. If the Nazi programme of making German chemistry yield synthetic raw materials is realised, Germany will acquire a source of national and military strength that she now lacks. Yet it is doubtful if the most brilliant triumph of the laboratory can make her as independent of foreign sources of raw materials as Russia

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is rapidly becoming. At present, the slogan in Russia is: "60,000 tons of steel a day and 50,000 tons of rolled metal". If this ambition becomes a reality, Russia will be the second only to the United States as a manufacturer of steel.

Commodity.	Production	Imports	Imports 1936
	1935.	1935.	(9 months).
(Million metric tons.)			
Coal . . .	108.3		
Petroleum . . .	26.8		
Pig iron . . .	12.5		
Steel . . .	12.51	0.38	
Rolled steel . . .	9.41		
(Thousand metric tons.)			
Ferro-alloys . . .		6.36	
Copper . . .	66.0	30.0	34.0
Zinc . . .	46.0	1.5	0.08
Lead . . .	45.0	31.0	24.6
Aluminium . . .	23.0	0.5	0.01
Tin . . .	0.0	7.5	7.0
Nickel . . .	0.9	1.6	1.9
Antimony . . .	0.0	2.9	1.7
Rubber . . .		38.0	23.5
Cotton . . .		44.0	12.7
Wool . . .		31.0	16.4
Cellulose . . .		4.9	2.7
Hides . . .		20.0	16.0
Jute and sisal . . .		53.0	21.0

Russia's chief difficulty now is the quality of much of her manufactured output. Hardly a day passes but the Soviet press screams with indignation at this or that trust or factory for turning out an inferior product. Certain kinds of steel Russia has not yet learned to make, though her managers and workers are learning rapidly. Her first tractors, for example, broke easily, but now, while still inferior to American tractors, they hold up well under the strain to which they are subjected. At present the whole emphasis is on mastery of industrial technique with a view to lifting the quality of manufacturing all along the line. Yet

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Russia has much to learn before she attains the high quality of German manufacturing. The percentage of *brak*, or spoiled output, is still inordinately high. Another decided advantage that Germany has over her—and so has Japan, though to nothing like the same degree—is in the manufacture of chemicals. Feverish Soviet efforts to expand the chemical industry have removed the prospect of complete helplessness in time of war, but have not prepared Russia for competition with Germany either in war or in peace.

Two other weaknesses need to be emphasised: faulty organisation and bad transport—both major limiting factors in any war of national effort. Whether one has to mail a registered letter or send a telegram, or buy any of the manufactured goods that are scarce—like shoes and textiles—the queues and the endless time people waste in them testify to a crucial inability to organise service on a basis of efficiency such as prevails universally in Germany. Russian officials seem to be brutally indifferent to the inconveniences to which they subject the population, usually quite needlessly. There is nothing that Russia needs more desperately than competent salesmen and clerks in her shops and offices, and good foremen in her factories. Russian leaders are well aware of these shortcomings, and are continually waging campaigns to overcome them, but rarely with much success.

Transport is the weakest link in Russia's economic chain. The frequency of accidents, the slowness of trains, the inability of engineers to run them on time, became so chronic that the Bolsheviks had to put Lazar Kaganovitch, perhaps their most brilliant organiser, in charge of the railroads. The improvements Kaganovitch has achieved have won him high praise, even from foreign observers. Yet even now by comparison with other countries accidents are still too frequent; trains are still too slow, and too many still run behind schedule, sometimes hours behind. Such a miracle of transportation as Germany achieved during the Nuremberg Congresses of

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1935 and 1936, gathering in one day and in one place nearly a million people from all over the country, is still a far-away dream in Russia. It is open to grave doubt whether the Russian railways would be able to stand up for any length of time under the strain of war.

In finance Russia has great advantages over Germany and Japan. Her actual foreign debt, exclusive of the pre-revolution obligations, which she has repudiated, is only about £15 million. Her balance of trade in 1933-35 has given her a surplus of over £90 million. Her gold industry is booming. In 1933, the output fetched £20 million; and while since then no official figures have been given it is reliably estimated that in 1936 the output reached the sum of £60 million, or perhaps £80 million. Nor has Russia to worry about the maintenance of foreign markets, as have both Germany and Japan, especially Japan; for she is very little dependent on them for raw materials, and not at all for the disposal of her industrial output.

Russia has still another advantage over both Germany and Japan—geography, which in war has always been one of her staunchest allies. It destroyed the Tartars and broke the back of Charles XII of Sweden and of Napoleon. In this day of the machine, geography is not as powerful an ally as in former times, but it still is important. If pressed hard, the Russian armies could draw back, east and west, farther and farther, and yet be assured of ammunition with which to carry on the struggle. If the air is to play in the next war the decisive part that some writers prophesy, it will be difficult for the enemy to strike at many of Russia's large centres of population, not only because they are mostly far inland, but also because they are far away from one another. Consider, on the other hand, the proximity to one another of the large cities and industrial centres in Germany and Japan, especially Japan, which by air is only a few hours away from Vladivostok. And Russians make excellent aviators. They seem to have

## THE RED ARMY

a natural talent for flying. The war in Spain has demonstrated the efficiency of both the personnel and the material of the Russian air arm.

### IV. THE RED ARMY

IMPORTANT as are industry and agriculture in a war, human beings, soldiers and civilians, are even more important. Here, too, comparison with Old Russia is revealing. Under the Czar, military service was to the masses of the population a bitter burden. Georgians, Armenians, Poles, Jews and members of the other national minorities were especially loth to do military service, and often fled abroad to escape it. The discriminations against the common soldier were everywhere apparent. A soldier could not sit inside a tram if an officer was there, and could not occupy a seat on the floor of a theatre because there, too, an officer might be present. Now the soldier is the real hero of the nation. In the days of the First Plan, when the civilian population was living on rations and had little meat and sugar, the soldiers ate meat daily and were never without sugar. With a population of 170 million people, Russia this year is manufacturing only 80 million pairs of boots, not enough to go round. Ordinarily, Russians wear their shoes as long as a cobbler can contrive to hold them together; but wherever one travels one never sees a soldier in dilapidated boots. The soldiers are the best shod, best fed, and best dressed people in the country, also the most polite. Seldom does one meet a drunken or brawling soldier in the Russian streets or on Russian trains.

During active duty the discipline in the army is most rigid; but when off duty the soldier is a free person. He goes to lectures, the cinema, the library, the theatre. He may sit in the same box with his captain or colonel. Swearing at a soldier, shaking or striking him is sternly forbidden. Theatrical companies from the best theatres

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perform at army camps. Orchestras, operatic stars give concerts. The soldiers' own choirs and dramatic circles are an integral part of their social life. The Moscow Red Army Choir is the best in the country and is, no doubt, one of the greatest choirs in the world. Schools in the army prepare the soldier for a higher position in the civilian world. Numberless are the advantages that he derives from his service.

Nor is the recruit as poorly prepared for service on admission as he was in the old days. Seldom is he illiterate or with no technical experience. According to a Moscow daily newspaper, of this year's recruits in the Leningrad district 1,000 were engineers, 10,500 skilled mechanics, 900 tractor operators, 450 railroad machinists, over 1,000 chauffeurs, 25,000 trained marksmen; and hundreds were fliers, parachute jumpers and pilots of glider planes. Not one was illiterate. In education, in patriotism, in military training there is no comparison between the soldier in the Czar's and in the Soviet armies. One can safely say that in morale the Russian armies of to-day are second to none in the world. But then revolutionary armies have always been noted for their high morale.

The size of the Russian army has recently been raised to 1,300,000. The reserves make up another 10,000,000 men, of whom 6,000,000 are said to be mobilisable for war, though the limiting factors of transport, organisation, and maintenance of industry and agriculture make it doubtful whether much greater numbers than the 1,300,000 of the regular army could be actually kept in the field. The most striking feature of the Russian army is its division into two armies, one in the Far East and one in the West. Each army is independent of the other and has its own system of supplies, reserves, and transportation.

Nor is the civilian population without a part in the campaign of military preparedness. The *Osvoiakbim*, or Civilian Defence Society, is engaged in a many-sided effort to train the country for war. There is hardly a

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factory, a collective farm or school without a branch of the *Osoviakhim*. It is the work of this society that makes the outsider so keenly aware of the earnestness with which Russians regard the danger of war with Germany or Japan. In 1935 the *Osoviakhim* trained as air pilots 3,500 youths who learned flying in the hours they could spare from their work or their studies. In 1936 it trained 8,000 pilots. During 1934 and 1935 it trained 990,000 civilians in marksmanship, one million in anti-gas and chemical warfare, one million in map-reading, 1½ million in the care of horses, 2,000 as mechanics of aeroplane engines. The slogan now is: "Our youth must become a generation of winged people", and it is doubtful if there is a country in the world in which youth is so absorbed in aviation as in Russia. In parks, at railroad stations, in collective farms, there are exhibitions of aero-engines with books and drawings describing in detail the various parts and the construction of the whole.

It is the *Osoviakhim* that has also made parachute jumping a national and popular sport. In the first half of 1936 no less than 10,500 civilians jumped from planes in parachutes. The eagerness with which young people all over the country have taken to this sport testifies to their spirit of daring and adventurousness. At present the *Osoviakhim* has 1,000 parachute towers on which to train jumpers, and twice that number of instructors to supervise the training. In the army, parachute jumping is receiving special emphasis. During the military manœuvres in 1935, according to Voroshilov, 1,800 persons made simultaneous jumps out of planes and 5,800 were landed by planes behind the "enemy lines". In 1936 the record was even more impressive. At one place, a hundred miles behind the lines of the opposing army, 1,200 men came down with 150 machine guns and eighteen pieces of light field artillery. Whether or not this new method of attack is more than an impressive stunt is a matter for controversy. At any rate, the Russians are cultivating it with ever-increasing assiduity.

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and of late the Germans and the French have begun to do likewise.

In mechanisation the Red Army has made very rapid advances. In 1929, according to Voroshilov, it averaged 2.6 mechanised horse-power per man; in 1930 the figure rose to 3.07 and in 1933 to 7.74, which was higher than the average in the American, French and British armies.\* The diversion of industrial energy to militarisation has seriously interfered with the rise in the standard of living. In the autumn of 1936, prices of manufactured goods, instead of falling, as Molotov in his interview with a French editor had led the population to believe, rose by 20 to 40 per cent. The reason was obvious: fresh outlay of funds for military purposes. The task of fortifying 32,000 kilometres of border and building the necessary strategic railways—a task still seriously in arrears—has absorbed huge funds and vast amounts of steel and other building materials. All along the troubrous Manchurian border, and in Europe all the way from Lake Ladoga in the north to the Black Sea in the south, fortifications, according to the semi-official publication *Na Strazhe* (On Guard), are being hastily erected.

The most uncertain element in the Red Army is the military talent of its officers. Few of the pre-war officers have remained, and age alone will soon completely eliminate them from the service. The new officers are almost entirely recruited from the village and the factory. They are loyal and tested revolutionaries, and are not given to the dissipation that was so marked a feature of the social life of the Czar's army. They cannot be bribed. Their political consciousness is as sturdy as their physical condition. And they are indefatigable students. They read not only their own military publications but also those of other lands. Yet how ingenious and able they will be

\* In the absence of data as to how they were arrived at, these figures are regarded by expert opinion as of doubtful significance.—*Editor.*

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under fire no one can foretell. The fact that they are without an old solid military tradition may or may not prove a disadvantage in this day of mechanised warfare.

### V. COMMUNISM AGAINST FASCISM

ONE other feature needs to be emphasised in any discussion of a war in which Russia may be involved, particularly a war between Russia and Germany—the clash of ideologies. Such a clash must make war between the two countries infinitely fiercer than it might otherwise have been. Germany, it is obvious, would fight Russia not only as a hostile or envied nation but also as the standard-bearer of communism and therefore the foe of mankind. Russia most manifestly would not fight Germany merely as Germany, but also as the standard-bearer of fascism and therefore the slaughterer of civilisation. In speeches and in the press the Russians never speak of Germany as the potential enemy but of fascists or Hitler fascists. Passions would run high, higher perhaps than they have ever run in international war. Both countries would wield the weapon of propaganda to the full.

Yet Brest-Litovsk and the Saar are too recent to convince anyone save the most stubborn communist that revolutionary propaganda can upset the patriotism of Germans. There was no sign of protest from proletarians and socialists when General Hoffman ordered the armies to resume the march on Russia, even though it became evident in the negotiations between Trotsky and Von Kuhlman at Brest-Litovsk that Germany was definitely committed to a policy of annexations. In the Saar, proletarians in overwhelming numbers voted for the return of their territory to the homeland. If the German armies should suffer serious setbacks, or if Germany should find it difficult or impossible to obtain from abroad raw materials or food, or if the Nazi forces, like those of Napoleon, should move too far from their home bases and find themselves cut off from

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supplies and subject to continual harassment by the native population, their morale might weaken and Russian propaganda might stir a response, at least among those groups which, until the triumph of Hitler, were nurtured in a socialist tradition. After all, the Communist party and the Socialists in Germany polled over 12 million votes in the last pre-Hitler election.

The Nazis, on the other hand, could not hope for such results. If in Germany there are millions who have had a basis of experience in socialist doctrine, there is not a single group in the Russian population that has had any basis of experience in Nazi doctrine—small as the gap is between Nazism and communism as at present practised. It might have been different if Russia had had a large and numerous middle class. But Russia never had a middle class comparable to that in Germany, in France, or in England.

Four years ago, when the peasantry were in the throes of privation and despair, they might have countenanced the support of a foreign army, at least temporarily. But now they can be expected to offer the stiffest opposition to invading troops. Most significant were the words of the spokesman of the Don Cossacks at the recent Congress of Soviets :

We got 100,000,000 poods more grain this year than last. Our combine operators hold the all-Union record. We have brought the record holders to the Kremlin to greet you. We have come here with our best tractor drivers. Everyone of them has ploughed this year over 2,000 hectares with a Stalingrad tractor. Next year we'll plough 2,700 hectares with the Stalingrad and 6,000 with the Cheliabinsk tractors. All our land for next spring's sowing, nearly 5,000,000 hectares, has already been ploughed.

A simple speech but loaded with importance. One cannot emphasise too vigorously the stupendous changes that the tractor and the combine and all the other modern agricultural implements have wrought in the Russian village. Except for certain districts on the Volga, where in the summer of 1916 drought necessitated the slaughter of livestock,

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there will hardly be a peasant family in Russia by the end of 1937 without a cow and pig and a flock of fowls. Only those who have studied intimately the history of the Russian peasantry for the last three hundred years can appreciate the importance of the universal possession of a cow and a pig.

It would, of course, be futile to prophesy the outcome of a possible war between Russia and Germany, perhaps allied with Japan. Under the impact of defeat Germany might go communist; that is Hitler's supreme risk. Russia's risk is different, for she cannot be nazified; but she can be thrown back to the economic chaos and penury from which she has rescued herself since the Revolution, and to unimaginable anarchy. The magnitude of the risks is the first of the reasons why the war between Russia and Germany may never take place.

# THE RAND IN THE ECONOMY OF SOUTH AFRICA

## I. MINING AND INDUSTRY

THE traditional classification of the inhabitants of Cambridge—not as true to-day as once it was—into three groups. First of all were “the gents”, then “them as lives off the gents”, and finally “them as lives off them as lives off the gents”. If any such grouping were attempted for South Africa, the Rand would naturally take the place of the University. Gold-mining is obviously not only the most important single industry in the Union, but also the mainstay of others and, through its payments of wages, salaries and so on, one of the mainsprings of the circulation of goods and services throughout the country. But there is great difficulty in knowing where to draw the line in any assessment of the indirect ways in which the general economy of the Union depends upon the Rand. In 1931 the Low Grade Ore Commission, in its interim report, said :

No thorough investigation into the part played by the gold mining industry of the Witwatersrand in the economic structure of the Union and the extent to which the population of South Africa is supported by the mines has yet been made. Such an investigation is, in our opinion, long overdue, and should be taken in hand immediately.

The Gold Producers' Committee of the Chamber of Mines undertook to perform this task, and presented the Commission with elaborate calculations which went to show that half the population drew their livelihood directly or indirectly from the Rand gold mines and that half of the state's revenues was derived from the same source.

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These calculations either went too far or did not go far enough. In one sense everyone in the Union is dependent on the gold-mining of the Rand for his livelihood, since he derives his income from the part he plays in an economy dominated by it, and since, if gold-mining should fail, his income, from whatever source, would be jeopardised. But a chain is equally dependent on all its links, and if it must be admitted that in one respect South Africa is one hundred per cent. dependent on her gold mines, the same might be said of her wool or maize, her railways or post office, or her banks. But in another sense the Gold Producers' Committee overstated their case. It does not do to assume that the farmer who sells maize to the mines is a mere client dependent on them for his market. Conversely, the mine compound depends on him for maize. If there are hundreds of thousands, natives and Europeans, who depend for their subsistence on wages earned at the mines, the gold mines are equally dependent on these workers for their labour, without which they would have to close down. If the Chamber of Mines, adopting the eighteenth-century habit of assuming that to pay for services rendered is to grant a benefit, cares to boast of "supporting" half the Union, it might be hard to resist the corollary that the support of profitable mining was part of the Black Man's Burden. If any arithmetical precision is to be given to the part played by gold-mining in the Union's economy, only the part it plays directly can be reckoned in.

Even this affords some impressive figures. In 1935 the exports of gold bullion amounted to more than £71 million in value out of total exports of just over £100 million. In production the Rand has already lost its position of undisputed pre-eminence. The last industrial census gave the value of the production of private industrial establishments, excluding mining and quarrying, as about £116 million. But the gold mines still employ more workers than secondary industry. The average number employed in 1935 was 333,650 (it is now about 350,000), of whom 34,475 were

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Europeans. According to the census of 1934-35, manufacturing industry employed an average of 329,887. The proportion of Europeans, however, was much higher (95,592) and the wage bill amounted to some £26 million as against £23 million in gold-mining. Fixed capital invested in manufacturing industry about equals that in gold-mining at £61 million; while the stores consumed by the Rand mines were valued at about £25 million, the value of materials used by manufacturing industry being no less than £60 million. To the Treasury, however, the gold mines are much more important. For the year 1934-35 they paid income tax of £4,371,225, or over half the total paid in normal income tax. In addition they paid £3,865,451 in excess profits duty and £4,968,223 as the state's revenue from mining leases and its share of payments for *bewaarplaatsen*.\* Altogether one-quarter of the ordinary revenue and one-third of the receipts on loan account came from the gold mines directly.

Though the Union would be crippled economically were some disaster to overtake the gold mines, that does not mean it would necessarily have been in the same impoverished condition if the mines had never existed. The country would then have had a completely different economic structure; and, though poorer and less advanced, would no doubt have progressed farther in some directions had not the greater prospects seen in gold-mining arrested such developments. It was the special advantages of the Union in gold-mining rather than its special disadvantages in other directions that led to its lack of diversification. The rise of gold-mining almost certainly, for instance, delayed the time when South Africa came to compete on equal terms with Australia in the production and marketing of wool. This delay was caused not only by the greater opportunities offered by gold-mining itself, but also by the diversion of the farmers' attention to the temporary profits of such occupations as transport-riding, by the rise

\* Areas reserved from prospecting and digging.

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in the South African price-level several years before the gold of the Transvaal had had any appreciable effect on the level of prices in the rest of the world, and by other related phenomena. If gold-mining has enabled a larger white population to live in South Africa in comparative comfort, it has also created a rigid wage-structure which has been a grave obstacle to the rise of alternative occupations and a reason for the intractability of our social problems, such as problems of poverty both among natives and among the less fortunate whites.

Not very long ago Professor Frankel, after an exhaustive enquiry, discovered that the average rate of return on all capital that had been invested in Witwatersrand gold-mining during the years 1887-1932 was a little over 4 per cent. That is not very high in the case of a young and developing country, and this fact might appear to cast doubts upon the statements made in the last paragraph. But even if gold-mining did not yield a higher average return than alternative investments its spectacular successes—such as the Wemmer mine paying a 40 per cent. dividend within a few months—were sufficient to encourage the expenditure of much time and money in prosecuting it with little result. We know that the average return to investors in sweepstakes and football pools must be a loss—but does that prevent the investment of millions of pounds in these unsatisfactory ways? There is a story of one South African gold millionaire who was being chided for having done so little for South Africa, when he had made all his money out of it. He replied: “Make all my money out of South Africa? I haven’t made a penny out of South Africa. I made it all out of the English investor.” There can be little doubt that the truth underlying this exaggeration explains the comparatively low average yield.

Be that as it may, it was the Rand that first allowed South Africa to draw capital from overseas on a large scale—and domestic capital is always scarce in undeveloped countries. It was the Rand that provided South Africa

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with a regular supply of labourers, both white and black, and that set the customary wage rates. It was the Rand that dictated the form that Union should take; the Rand that, by requiring agreement on railway matters with Mozambique as the price of securing labour, and by providing an ideal target for discrimination, stereotyped the railway policy of the Union; that created the native problem in one form, but, by providing a market for labour through which wages could be earned to supplement the inadequate production of the reserves, prevented it becoming so acute in another form. The gold mines play their part in every typical aspect of South African social and economic life.

### II. THE HIGH PRICE OF GOLD

PERHAPS the most remarkable feature of mining on the Witwatersrand before 1932—unlike mining elsewhere, even elsewhere in the Transvaal or on the yet unproved edges of the Reef—was that it had virtually ceased to be speculative. The price obtainable for gold was fixed in terms of standard money. The evenness of the deposits made the ore reserves an almost certain quantity, unless the cost of recovery played tricks. But this was unlikely to happen. The perfection of the mechanical processes left few grounds for miscalculation on technical matters. Native labour was centrally procured through the Witwatersrand Native Labour Association, and native wages have hardly varied in this century, though the efficiency of the labour has increased. The cost of providing compensation for miners' phthisis had become more and more accurately known. Ordinary fluctuations would practically be confined to European wages and the cost of stores, and in each case the mines could reckon with a greater degree of certainty and make readjustments with greater ease than manufacturing industry. The government controlled the other possible sources of fluctuations in costs. But the

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likelihood of any actual stiffening of the colour bar was remote, and if mining regulations were amended to take fuller account of the growing experience and adaptability of the native worker it would provide a bonus to the mines. Direct taxation, after all, was levied on profits, and mine stores were singularly unaffected by changes in the customs tariff. Variations in railway rates did not provide a major problem in costing for the mines' administrations.

After the end of 1932 all this changed. The price of gold depended on the fluctuations of the pound—which depended on the British pound sterling. Formally, also, a fresh uncertainty has been created by the repeal of central bank obligations to buy all the gold offered at the standard price; but so far there are no grounds for fear on that score. The market for gold seems likely to remain firm. The renewed speculative nature of Rand gold-mining was increased by the introduction of taxation—admittedly tentative—designed to secure to the state a share of the excess profits due to the premium on gold; and this uncertainty was increased by the subsequent limitation of the government's share to £7,400,000, since this introduced the necessity of rebates. The revaluation of ore deposits in the light of an enhanced price of gold brought in fresh reserves, inadequately proved, and resulted in the extension of the Rand far beyond where its limits were known. As a result, the Reef was inundated by a wave of speculation, fed by the handsome profits of the first revaluation of shares. One indication—though, as the Census Office warns us, a rather tenuous one—is provided by the jump in the Johannesburg clearing-house returns from £201 million in 1932 to £475 million in 1934.

It may be that speculation in mining shares has been increased by the reluctance of the government and the banks to concede the normal result of the depreciation of the pound—cheap money. The Reserve Bank discount rate has been reduced no lower than 3½ per cent. It is not

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easy to obtain an overdraft at less than 6 per cent. The government's action in subsidising interest on farm mortgages and the operations of the Farmers' Assistance Act have helped to keep up the rate of interest on rural mortgages. According to a special report of the Census Office, the average rate on all first mortgage bonds capable of exact classification passed in 1935 was 5·926 per cent. The interest earned by insurance companies and such bodies in South Africa has fallen remarkably little. Yet though rates to borrowers are firm it is not easy to find a remunerative use for money unemployed. The banks will no longer accept short-term deposits. They will give only  $\frac{1}{2}$  per cent. on fixed deposits for from 6 to 12 months. They will allow 2 per cent. on fixed deposits for over 12 months up to a maximum of £10,000: for larger sums they will allow only 1 per cent. There is a positive lack of gilt-edged investments; and those that are available have reached prices that frighten the investor with the prospect of capital depreciation. A premium has been placed on investment in equities—and the demand for almost any class of them is still well enough maintained for it to have been the most profitable course. Naturally this state of affairs has been exploited to the full; new issues have been floated at substantial premiums, and stock exchange values have mounted rapidly. One unfortunate effect, however, has been the disturbance of the financial structure of the Union and the lack of capital for development by other means than the issue of shares. Nevertheless it cannot be denied that the gold-mining boom has encouraged expansion in certain other directions. One effect is seen in the building boom on the Rand. The estimated value of plans passed in Johannesburg in 1932-33 was £1,577,677. In 1934-35 it was £3,604,813, while a peak figure of £945,000 in a single month was reached in July 1936. Over the whole of the Rand the increase was roughly proportional, save in Roodepoort-Mataisburg, where the value rose in two years from a mere £39,023 to £297,233.

## THE SPECIAL TAXATION

### III. THE SPECIAL TAXATION

THE output of gold has not increased proportionately to the increased activity of the mines—indeed, the production in fine ounces declined in 1933-35, and in 1936 it was still 214,153 ounces below the record of 11,557,858 ounces produced in 1932. This is due partly to the reduction in the grade worked, especially in the richer mines, and partly to the fact that much of the increased activity has been in development work which will lead only in course of time to an increased output of gold. The government's policy of taxing profits made out of the gold premium was intended to enforce a lowering of grade. This was partly due to a fear that the mining companies would take advantage of a temporary high price of gold by "picking the eyes out" of the mines, milling only the higher grade rock and abandoning a large part of the ore reserve for ever. The extent to which this fear was justified depended entirely on the mining companies' estimates of the length of time during which the disparity between working costs and the price of gold would last. If they thought that the higher price obtainable would not last, or that working costs would soon mount and cut off their excess profits, it might have been worth their while to adopt such a course. But they evidently took the view that the increased margin would last a long time; hence, even without a tax policy framed to encourage it, abandonment of the gold standard acted as an inducement to lower the grade.

The government seems also to have been anxious to secure a lower grade for its own sake, apparently in order to lengthen the life of the mines. A certain amount of confusion appears to have entered here. The argument seems to have been that the gold mines are so important to South Africa, especially as a relief to depression when times are bad (owing to the sure market for gold), that at all costs they should be kept running as long as possible. But

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there is no point in subsidising the unprofitable production of gold from low-grade ores out of the profitable portion of the production. To do so is simply to raise the average cost, and to increase total costs by more than the additional value recovered. By spreading operations over a longer period, moreover, the return on the investment is delayed, resulting in a loss of interest. There was some toying with the idea of subsidising low-grade mining when the Low Grade Ore Commissioners were making their enquiry, but the Chamber of Mines was undoubtedly right in its preference for encouragement only in the form of making it possible to reduce working costs. The rise in the price of gold has been equivalent to a larger drop in working costs than had ever previously been considered possible, and in this way ample encouragement has been given to the milling of low-grade rock on a profitable basis, without forcing the grade still lower by allowing mines to offset against losses in recovery even greater gains in lower taxation.

The mining industry professed itself better satisfied with the new scheme of gold-mining taxation introduced by Act 34 of 1936, which reduced the normal tax to 3s. in the £ and substituted a new formula for working out the additional taxation. It seems to have been confidently expected that this would remove the chief inequalities as between mine and mine. But the position of the gold mines as the chief support of the risc is sometimes called in question. The differential taxation of gold-mining profits is usually justified by the need to build up alternative means of earning a livelihood for South Africans when the mines are exhausted. It is criticised on the familiar grounds of its inequity towards the gold-mining industry. The criticisms, however, are not wholly valid. No investor before the end of 1932 had ever reckoned on selling gold at 140s. or more an ounce instead of 85s. Later investors were fully conversant with the government's intention of appropriating half the gold premium and so could not complain that they were unfairly treated. Shareholders'

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dividends have increased some 80 per cent. Indeed if one compares Professor Frankel's long-term average return of 4·1 per cent. with the 24·5 per cent. return obtained in 1935, it is difficult to sustain a charge of unfair discrimination against the mines.

The high taxation of the gold mines is also criticised on the ground that it discourages investment in mining as opposed to other activities. To some extent this must be a result. Yet it is offset by a number of special inducements such as a particularly active market on the stock exchange. Moreover the South African capital market is not the most important in this connection. No less than 59·41 per cent. of dividend and interest payments for the half-year ending June 30, 1935, went outside the Union, and in the next half-year 60·08 per cent. This, indeed, probably underestimates the proportion going abroad. Amongst the payments in the Union are those made to finance-companies, many of whose shareholders reside overseas. Dividends are often paid into South African banks for overseas investors who have accounts there. It is not a question of one form of investment in South Africa as against another; and it is doubtful whether the South African income tax will divert much investment away from "Kaffirs" to competing issues in London.

Mining taxation is also criticised on the ground that increased dividends would be better spent by their recipients than tax revenues by government. Now the return from gold-mining must include amortisation, so that from the financial point of view the capital invested in a mine is not lost when the mine is exhausted, but is preserved intact. The gold, however, might have been removed from South Africa, and, although the investors' outlay was fully amortised, the country would be left with the reef worked out and no capital asset to replace it. After all, there is no *prima facie* reason why the capital should be re-invested in South Africa. To judge by the frequent utterances of politicians, the higher taxation of the mines is intended to

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provide a double amortisation—one for South Africa, whose natural resources are diminished, as well as one for the proprietors of the mines—and to use the fund to build up alternative sources of employment and income for the time when the gold mines can no longer be worked. The whole question is bound up, therefore, with the policy of encouraging secondary industries and the general customs policy of the Union.

If, however, the extra taxation derived from the gold mines is regarded in this light, its allocation between revenue and loan account is surely faulty, and all mining revenue in excess of the rate chargeable on other enterprises ought to be paid into loan account. Even that reform would, of course, be insufficient so long as the Auditor-General remained unable to persuade the government to draw a satisfactory distinction between what should be spent out of revenue and what is properly chargeable to loan funds. It is obvious, for instance, that much of the farm relief granted at present—being compensation for losses incurred—is not productive capital expenditure and is not building up alternative sources of national wealth, however desirable it may be socially. It has apparently not been possible for the Minister of Finance to employ the budget surpluses derived from the mines in reducing the public debt—a possible and easy way of making use of them as productive capital—since the Public Debt Commissioners need to take up £1 million a month of gilt-edged stock in which to invest pension and railway funds and the funds of the Post Office Savings Bank, and the Treasury has to oblige by making Union stock available to them, thus adding to debt instead of reducing it. There are doubts, then, if the state is putting its share of the gold premium to the best use. But so long as the mines of the Witwatersrand play the part they do in the economic life of South Africa, they will continue to be called upon to make the major contribution to the exchequer.

How long the present position of the Rand will be

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maintained is a matter on which it might be unwise to dogmatise. So far, costs have been kept remarkably low; and the policy of keeping money dear may have prevented competitors from bidding too eagerly against the mines for labour, materials and equipment. But it seems impossible that a rise in costs can be averted indefinitely; and when it comes the expectations that have led to the present capitalisation of mining shares will be disappointed. A decline in the prosperity of the Rand will be fraught with danger not only for the economic but also for the political and social structure of the Union. Booms and extravagance may spell prosperity at the time, but the far-sighted (or may we hope in this case it is only the timorous) cannot overcome their fear of "finance" when it bears such gifts.

South Africa,  
January 1937.

# THE IRISH REPUBLICAN KINGDOM

## I. EXTERNAL ASSOCIATION

SURVEYING the Irish results of King Edward's Abdication, Mr. de Valera may well repeat the old adage : "It's an ill wind that blows nobody good". For the situation created by that event has enabled him at last to carry out the long-cherished plan for regulating the relations between the Irish Free State and Great Britain which he apparently regards as a solution, at least under present circumstances, of that complex and historic problem. This plan is by no means new. It was first publicly adumbrated seventeen years ago in the famous interview that he gave, as President of the Republican Dail, to the *Westminster Gazette* and the *New York Globe* in New York on February 6, 1920. In this interview he suggested that the British Government, following the example of the United States in regard to Cuba, should stipulate that the future Government of Ireland should never enter into any compact with any foreign Power that would impair the independence of Great Britain, or authorise or permit any foreign Power to obtain by colonisation, or for military or naval purposes or otherwise, lodgment in or control over any portion of Ireland. Ireland, he said, would willingly co-operate in such an arrangement, which would safeguard Great Britain against foreign attack. This statement led to a serious split amongst his Irish American supporters, many of whom regarded it as a derogation from the claim for an independent Irish republic.

The same idea, more fully developed, appeared again in the draft treaty taken to London by the Irish delegates to

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the Treaty Conference in 1921.\* The essential points of this draft were that Great Britain and the Dominions should recognise Ireland as a sovereign and independent State, and that Ireland should agree to become an "external associate" of the Commonwealth. Ireland, according to this plan, was to be associated with Great Britain for matters of common concern, which were to include defence, peace and war, and perhaps political as distinct from commercial treaties, and Irish and Commonwealth citizens were to enjoy reciprocal rights. The object of this scheme, as of the proposal in the Cuban interview, was to reassure the British Government, to save their face before the world, and at the same time to satisfy Irish national aspirations. It proposed in effect that Ireland should, definitely and voluntarily, limit her freedom in questions of foreign policy and defence, the only sphere in which Irish antagonism could damage Great Britain.

In its then shape the proposal was really the work of the late Erskine Childers, who strongly maintained that for reasons partly geographical and strategic, partly historical, Great Britain would never, if Ireland was a Dominion, permit her to act with the same freedom as the other Dominions, and that through the Crown or the Imperial Parliament there would be a constant and injurious interference by Great Britain in Irish affairs. He held that what was then, in respect of the other Dominions, a nominal subordination, would in respect of Ireland be real, and that Great Britain would exercise her strict legal rights in dealing with Ireland. Subsequent events, of course, have proved how mistaken was this view, for no interference has taken place. On the contrary, at successive Imperial Conferences it was the Irish members, representing Mr. Cosgrave's Government, who took the lead in developing and finally establishing the co-equal status of the Dominions and Great Britain, now definitely formulated in the Statute of Westminster.

\* See *Peace by Ordeal*, by Frank Pakenham, p. 111.

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The Irish delegates in 1921, however, as is now known, unsuccessfully contended for "external association" with the Commonwealth, and finally agreed to accept Dominion status. But Mr. de Valera, for this very reason, would not accept the Treaty, and, at the secret meeting of the Dail that followed its execution, he produced, as his solution, the now famous Document Number Two; this contained the proposals for a treaty to which he was prepared to agree, and which he subsequently withdrew from circulation for tactical reasons. These proposals \* stated that for purposes of common concern Ireland should be associated with the States of the British Commonwealth; that, when acting in such association, the rights, status, and privileges of Ireland should be in no respect less than those enjoyed by any of the other component States; that the matters of "common concern" should include defence, peace and war, political treaties, and all matters then treated as of common concern amongst those States; and that in these matters there should be between Ireland and the Commonwealth States "such concerted action founded on consultation as the several governments might determine." After providing for reciprocal citizenship rights between the component States it laid down that, for the purposes of the association, Ireland should recognise His Britannic Majesty as head of the association, should provide for her own defence, and should repel by force any attempt by a foreign Power to violate the integrity of her soil and territorial waters or to use them for any purpose hostile to Great Britain and the other associated States.

It was the rejection of this policy of external association by the Dail in 1922, when it ratified the Treaty, that really led to the civil war, and its realisation, in self-justification, has since been the main object of Mr. de Valera's political policy. This aim he has now peacefully attained, with the fortuitous assistance of King Edward, through the operation

\* This version is the one now officially authorised by Mr. de Valera.

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of the very Treaty he denounced. With these facts clearly stated, it is impossible to blame Mr. de Valera for availing himself of the heaven-sent opportunity presented to him by King Edward's abdication, although it is possible to regret that he should have done so. That, in any event, he meditated action in the near future is certain.

Speaking at the Ard-Fheis, or annual convention of the Fianna Fail party, on November 4, he said, after referring to the new constitution, that the question of our relations with Britain and the British Commonwealth of Nations must be a matter on which the people would separately pronounce. At the moment it was not their intention to change the existing relations, in so far as use was made of the same machinery by Canada, Australia, South Africa, and New Zealand in the field of external affairs. Simultaneously, he said, with the introduction of the new constitution, a Bill would be introduced that would make it possible to continue those relations until such time as the Irish people clearly made up their minds that they did not want those relations to continue. He added that that whole question and all about it would be a matter for public discussion over a considerable period. They were not going to be presented with the situation that the Irish people had when they were given a constitution on the morning of the poll and then asked to vote on it.\* In effect, however, this is exactly what happened in December, as far as our relations with Great Britain are concerned.

The situation created by King Edward's abdication no doubt placed Mr. de Valera in a serious dilemma. Both he and his Government now fully realise that, for economic reasons alone, they have no option but to remain within the Commonwealth, and that therefore the succession of the new King should be regularised without delay, but it was quite a different matter to persuade their wild men, who have now for so long beheld the carrot of the republic

\* A reference to the general election of 1922, which took place immediately after the publication of the constitution.

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dangling before their noses without tangible result, to agree with this view. Mr. de Valera extricated himself from this dangerous situation with a sophistical dexterity worthy of a Chinese general. On December 10, the day of the King's abdication, the members of the Dail received a summons to meet on the following day. When they assembled they were presented with two Bills. The first of these removed from the constitution all the remaining references to the King and the Governor-General, and deleted the article providing for the appointment and remuneration of the latter functionary. It also provided that all Bills when enacted in future shall be signed by the Chairman of the Dail, who will also summon and dissolve Parliament on the advice of the Executive Council. These duties will presumably be taken over later on by the President of the State, who is to form part of the new constitution. Mr. de Valera had previously announced that the new constitution would make provision for a senate of the type suggested in the minority report of the recent commission.\*

The second Bill, after providing that our diplomatic and consular representatives should be appointed, and every international agreement concluded, on the authority of the Executive Council, went on to provide also that so long as the Irish Free State was associated with the other nations of the Commonwealth, and so long as the King recognised by those nations as the symbol of their co-operation continued to act on behalf of each of them (on the advice of their several Governments), for the purposes of the appointment of diplomatic and consular representatives and the conclusion of international agreements, "the King so recognised may and is hereby authorised to act on behalf of the Irish Free State for the like purposes as and when advised by the Executive Council so to do". In a further section the Bill ratified the abdication of King Edward and defined the new King, for the purposes of external

\* See *THE ROUND TABLE*, No. 103, December 1936, p. 161.

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association, as henceforth the person who, if King Edward had died on the tenth day of December 1936 unmarried, would for the time being be his successor under the law of the Irish Free State.

It will be observed that these Bills do two things. The first virtually removes the King and the Governor-General from the internal constitution of the Free State. The second sets up the system of "external association", for which Mr. de Valera has so long contended, but at the same time voluntarily recognises the accession of King George VI. In the biting phrase of Professor J. M. O'Sullivan, T.D., one Bill took the King out of the constitution and the other put him back. It is common knowledge that Mr. de Valera had some difficulty in reconciling the more extreme members of his party to accepting the succession of the new King, and it is quite certain that he could not have done so by any other stratagem. He was faced, as often before, with his own past record, but the statutory execution of the Governor-General and the blessed words "external association" finally brought his followers to heel. It is impossible to understand his conduct unless one remembers his domestic difficulties and past policy.

At the opening of the debate in the Dail, answering three questions put to him by Mr. Cosgrave, he admitted that there was not in the Bills any proposition to sever our connection with the nations of the British Commonwealth. Article 1 of the Constitution, he said, remained untouched. The actual facts of the existing situation would, he added, be reflected in the constitution as amended. They had not, he said, consulted with the other members of the Commonwealth, because it was a matter that affected themselves alone, although they had intimated quite clearly to Great Britain what they intended to do. Article 1 of the Constitution declares that the Irish Free State "is a co-equal member of the Community of Nations forming the British Commonwealth of Nations". Speaking later

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in the debate, Mr. de Valera said that quite clearly what they had to do now was to regularise the position or declare a republic. He was anxious to see a condition established here in which our people could be on friendly terms with the people across the water. But he knew it could not be done without satisfying the aspirations of our people, which was not done by the existing situation. What he was trying to do, and proposed to do in the coming constitution, was to get nearer to a position that would satisfy those aspirations. Friendly relations between the two countries could really be established only on the basis of a united Ireland. They were working towards a position where the majority of the people would say "We are prepared to sacrifice something in order to get a united Ireland".

The debate on the Bills was poor in quality and, apart from a disingenuous and transparent attempt by Mr. Norton, the Labour leader, to capitalise extreme republican support by a proposal to ignore the King's abdication and do nothing, it ran on the usual party lines. In one sense, of course, it is ridiculous for the Cosgrave party to complain of Mr. de Valera's action, for it is only a logical extension of their own. It cannot be forgotten that they themselves removed the King's head from our stamps and coinage, discouraged the playing of "God save the King", and removed practically all reference to the King from official documents. Mr. de Valera's performance naturally followed their overture. Both Bills were carried, under a closure motion, after two days' debate. The only opposition to the External Relations Bill consisted of the five members of the Labour party, who have now fallen so low that they can be derided with impunity in the Dail by Mr. Hugo Flinn, T.D., the Government's official vituperator.

What is the net constitutional effect of this new legislation? A cynic might perhaps describe it as creating a condition of internal obfuscation and external obfuscation, for it may be doubted whether Mr. de Valera himself fully

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apprehends what he has done; certainly, as the debate proved, his legal advisers do not. External association as a phrase means very little, since under modern conditions every State is externally associated with every other by conventions, trade treaties, and the like. Without such external association, international life would be impossible. But our new relations with Great Britain imply far more than this. We are still a member of the British Commonwealth. King George VI is still King of Ireland—of all Ireland, it may be emphasised. Internally, no doubt, he has no functions in the Free State, but even before the recent Acts he had none that were not automatic, the mere endorsement of decisions arrived at by the Free State Government. Externally his functions now are to act on the advice of his Irish Free State Ministers, as he did before, but to do so under express statutory powers conferred by the Free State Parliament, rather than under his prerogative. We have in fact exchanged a spiritual for a statutory allegiance, a feudal for a democratic Crown.

The British Government and press may be congratulated on not having intervened. It was a case of "least said soonest mended" if ever there was one. Any interference by way of criticism, or worse still by way of action, could only have done mischief. The essential thing, our membership of the Commonwealth, remains of our own deliberate choice, and with it our recognition of the new King as the symbol of that membership. It is certainly not a case for logic-chopping, delectable as that pursuit may be to constitutional lawyers, but for a commonsense recognition of realities. It is true that power is not explicitly given to the Crown in respect of the declaration of war or neutrality, but such power can hardly be exercised by the Executive Council except through the Crown, because to do so would mean a formal breach in the unity of the Commonwealth, to which under Article 1 of the constitution we still adhere.

One of the amusing consequences of the new legislation

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is that, although the parliamentary duties of the Governor-General have ceased, he apparently still remains in suspense, a kind of forgotten wraith, to exercise certain functions under certain old statutes not yet repealed. How long this state of affairs will continue no one knows or indeed cares. Public opinion was perhaps best expressed by a somewhat irreverent cartoon on the cover of *Dublin Opinion* which depicts poor Mr. Buckley fleeing from his suburban villa, lamented only by the domestic cat, and muttering to himself: " Maybe I ought to have asked them for a farewell broadcast " !

Mr. de Valera has of course been once more denounced by Miss Mary MacSwiney and the other Republican die-hards for his treachery to the Republic. In his Christmas broadcast to America, however, he said it was now clear that the political institutions of the Free State were free from outside control. In the new year the people would be able to frame for themselves the constitution under which they wished to live. The partition of their country would then remain the one formidable barrier to that peace internally and that peace with their neighbours which they so much desired. They wished to be on terms of friendship with the people of Britain as with all other peoples. The obstacles to that friendship were being removed one by one. He looked forward, he said, to the day when they would have disappeared and when the people of these two islands could work as friends for the promotion of all common ideals, and he expressed the hope that this day might come during 1937. This message, which was also meant for domestic consumption, leaves little doubt to those acquainted with the working of Mr. de Valera's mind that he is still engaged upon the commendable but difficult operation of changing front. Responsibility and experience are completing their good work. The question posed in the title of a *ROUND TABLE* article last December—Free State or Republic?—may now be answered. We have become, and are likely to remain, a republican kingdom.

## PARTITION

### II. PARTITION

THE political position in the Free State would now therefore seem to be this. Mr. de Valera has accepted freely membership of the Commonwealth. He has no intention whatever of declaring a republic for the Free State, although no doubt the new constitution will provide us with a republican government in everything but name. This has indeed virtually been the situation since the Treaty of 1921. His ideal is a republic for all Ireland, associated with the British Commonwealth, but even this, he clearly hints, he would be prepared to abandon if he could get Northern Ireland by political action to recognise the juridical unity of the country and to look to Dublin rather than to London for final authority. The question of partition thus becomes crucial for the political future of the whole country. There can be hardly any doubt that those responsible for the government of Northern Ireland hold the key, not only to the unity of Ireland, but also, what is perhaps more important, to the unity of the British Isles and the British Commonwealth. There is so far little indication that they are aware of, or care about, this vital fact.

On November 18 Mr. Frank MacDermot, T.D., one of the most fearless, independent, and intelligent members of the Dail, who has become the principal Free State protagonist on this question, introduced a motion in the Dail deplored the failure of the Government to give adequate attention to the problem. He said that anyone was living in a fool's paradise who imagined that the people of this country would ever reconcile themselves to partition, or that good relations between the Free State and Great Britain would ever be possible on that basis. Some of Mr. de Valera's admirers across the water who were talking, he said, as if we could all kiss and be friends, provided a republic for the Free State were set up in external association with the British Empire, were simply ignorant of the fundamentals of the situation. Partition

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was vital to the whole question of our relations with Great Britain. It was an evil not only from our point of view but also from the point of view of Great Britain and Northern Ireland. In his view there was only one way of getting rid of partition, and that was for us to gain the good will of the Northern Unionists. It was a heresy, he said, to let matters drift and to hold it was impossible for anybody to do anything about it, and equally a heresy to suggest that it was a problem that could be solved only by Great Britain. But the British Government and people could exercise a great deal of moral compulsion on Northern Ireland. We had on our part to enlist the people of Northern Ireland, as Wolfe Tone did, in a fight against something that was worth fighting, in a fight against poverty, against class hatred, against racial hatred, war, and all the evil things that afflict humanity. We must also be prepared to reassure the North concerning the future of its industries, and to drop sham republicanism as well as the idea of a Gaelic Ireland. If we wanted a united Ireland it must be an Ireland that accepted the Northern Unionists on equal terms and had as much room for their ideas as for our own. We could not overcome the barrier of partition if we allowed ourselves to become pessimistic about it. We should on the contrary have an abundance of faith, hope, and charity.

Mr. de Valera, replying at the close of the debate, said that surely it was absurd to take up the position that the majority of the people of this country should surrender everything they thought right and proper in order to bring the minority into what should be, for them as for us, a common nation. He agreed with Mr. MacDermot that good relations with Great Britain would never be possible on the basis of partition, but not with his suggested cure that they in the Free State should surrender everything. Whilst agreeing that force was no solution, he asked if the majority had any rights whatever in Ireland? Was there to be no limit to what they must do? The minority,

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he said, were entitled to equality, to which they had always been admitted, but not to privilege. He thought the proper thing for the Free State to do was to go ahead and do the things they wanted to do because they thought they were right, and to trust very largely to the influence they would have on the minority.

Speaking at a meeting of the Belfast University Literary Society on December 16, Mr. MacDermot carried his campaign into Ulster. He said he could not suppose that any thinking person could be satisfied with the present state of affairs in Northern Ireland. It had an apparatus of government grotesquely out of proportion to the area administered. A third of the population were violently hostile to the régime, and, so far from showing any tendency towards becoming reconciled to it, were only waiting for an opportunity to smash it if they could. They saw the remaining two-thirds of the population disliking and despising the minority, openly boasting that the institutions of the state had a sectarian complexion, and frequently carrying out official or semi-official celebrations of a nature insulting to the minority. If that were all, said Mr. MacDermot, it would be enough to justify him in saying that the state of Northern Ireland was unhealthy. It involved the moral degradation of majority and minority alike. After stating that economic self-sufficiency had proved an idle dream, and that the Free State had been going down-hill at catastrophic speed until it was saved by the coal-cattle pact, he said that he felt the fullest and freest national life for the country, materially and theoretically, could be achieved only within the Commonwealth on a basis of loyalty to the Throne. He recognised their right to resent separation from the Empire, their right to resist religious persecution if that were threatened. He admired their grit, courage, and enterprise, but he was far from admiring their attitude of superiority. Every sign of irrationality and of barbarism to which they could point in the "mere Irish" was to a large extent the fault of the ascendancy.

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Ten years ago no Free State politician could with safety have made such a speech in Belfast. Mr. MacDermot deserves the greatest credit for the courageous and statesmanlike manner in which he has dealt with this question in season and out of season, and there are signs on this side of the border that his campaign is bearing fruit. Those who desire to study this question in more detail should read a remarkable little book \* by Professor George O'Brien of the National University of Ireland, which has just been published. Professor O'Brien has the quality of critical detachment, so rare in Ireland, coupled with a wide knowledge of Irish history and economics. He points out that on the major constitutional question, that of the status of the Free State, everything is to be gained by delay and much might be lost by precipitancy, and that if the economic dispute were finally settled the political issues would eventually adjust themselves. Partition, which in his view is inevitable for the immediate future, should not be allowed to poison Anglo-Irish relations or to drive Great Britain and the Free State further apart. Both countries should agree to treat their existing relationship as a compromise, to be replaced by a more satisfactory arrangement as soon as circumstances permit. Any change that takes place is, in Professor O'Brien's view, almost certain to be to the disadvantage of the Ulster ascendancy, whose extraordinarily impregnable position can scarcely prove permanent. He makes it clear that, in his opinion, corporate union between Northern Ireland and the Free State is for many reasons undesirable and that juridical unity should satisfy Irish national aspirations.

If, he concludes, British statesmen are anxious that Ireland should remain part of the Commonwealth, they must be prepared to treat Ireland, not as a Dominion that evolved from something inferior like a crown colony, but as an ancient nation that existed as a national unit long

\* *The Four Green Fields*, by George O'Brien. Talbot Press, Dublin.  
3s. 6d.

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before Great Britain or even England. They must further be prepared to admit that the area of that nation is the whole island, and that the exclusion of any portion as the result of *force majeure* is a regrettable and unjustifiable wrong, originating in the deliberate policy of plantation in the seventeenth century and continued in modern times by religious prejudice and military mutiny. In other words, the principle of Irish juridical unity must be unreservedly recognised. That the Ulster leaders could settle the Irish question is the moral of Professor O'Brien's book, but that they will do so is a far more doubtful matter. If not, like most thoughtful Irishmen, he believes that patience, the growth of mutual understanding, and the solvent of time are the only hope. In such matters the long view is generally right. A problem that is the growth of centuries cannot be settled in a decade.

### III. PUBLIC AND PRIVATE WARS

MEANWHILE our public dispute with Great Britain over the land annuities and our private intervention in the Spanish civil war both continue unabated. It is of course fantastic to talk about an "economic war" when in fact, subject to the collection of the land annuities by Great Britain in the form of tariffs, both countries are doing everything they can to expand their trade and improve their economic relations with each other. Nevertheless there is an exceedingly damaging financial dispute which dislocates trade between the two countries and ought to be terminated. As is usual on such occasions, neither side is prepared to suffer the loss of "face" required to adjust the quarrel. If Mr. de Valera could bring himself to confess, like the "young Marshal," that he is "rustic and uncouth" and that he only withheld the land annuities for the purpose of drawing attention to the Irish farmers' plight, and if Mr. MacDonald on his part could reply that, although it was all the fault of the uncultured Mr. Thomas, who did not comprehend the high motives of Mr. de Valera,

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yet he wished to resign his position, and if thereupon, being duly re-appointed, he agreed to accept an *ex gratia* payment to close a dispute which should never have taken place, then all might be happily ended. But unfortunately we have still a lot to learn from the East.

That we may still be able to learn something is proved by the fact that on January 14, when Mr. de Valera was on his way back from seeing his doctor in Zurich, he was able to meet Mr. MacDonald informally in London, and discuss amicably a number of matters affecting the relations between the two countries. So far the only outward and practical result has been the renewal of the coal-cattle pact \* for another year, subject to possible modifications of detail. After noting that certain matters arising out of the conversations were under examination, Mr. MacDonald told the House of Commons that the United Kingdom Government were ready to take any opportunity of reaching a satisfactory settlement on outstanding questions between the two countries. Mr. de Valera, he disclosed later, had urged strongly that steps should be taken towards the establishment of a united Ireland. No scheme, however, had been put forward, and the matter was not discussed further. The position of the United Kingdom Government was that any change in the relations between the two Governments in Ireland would require the consent of both those Governments.

The renewal of the trade pact is highly welcome; the trade figures for 1936 reveal that during the year our exports have increased by two million pounds, a result almost entirely attributable to this arrangement. Great Britain and Northern Ireland still absorb some 90 per cent. of our exports, although we take from them only 56 per cent. of our imports. We have, however, just renewed our trade treaty with Germany,† on the improved ratio of three to

\* See *THE ROUND TABLE*, No. 98, March 1935, p. 369, and No. 101, June 1936, p. 572.

† See *THE ROUND TABLE*, No. 98, March 1935, p. 370.

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two. As regards our general agricultural policy, recent figures show that for every extra pound put into the farmer's pocket in respect of wheat and beet the Government is taking £2 10s. out of the consumer's pocket. And in spite of the new industries and endless tariffs it is estimated that last year the number of emigrants to Great Britain was 36,000, that is to say 10,000 more than the average annual emigration, principally to America, in the twenty-five years before 1926.

In the five years since Mr. de Valera took office, expenditure has increased by five millions a year, and Mr. Lemass, the Minister for Industry and Commerce, has recently informed us that we may soon expect further taxation. Five millions have also been added to our total indebtedness, and the five millions withheld annually from Great Britain, in respect of land annuities, have been paid by the farmers in penal tariffs on their exports. It is therefore no wonder that Mr. O'Kelly, the Minister for Local Government, has recently reminded local authorities that they cannot continue spending at the present rate indefinitely. Agricultural conditions are revealed by the fact that the average wages of an adult male agricultural worker, without a free house or allowance of any kind, amount to only 21s. a week. Legislation has, quite properly, been recently introduced to deal with the situation, but this cannot provide an effective remedy unless the general conditions of agriculture improve. If wages are raised beyond the capacity of the farmers to pay, the result will be greatly decreased rural employment and a further shift of population to the towns.

An interesting sidelight has been recently thrown on the Government's relations with the Irish Republican Army through the innocent intervention of Mr. John O'Hara Harte, a Quaker from Philadelphia. This gentleman, who is perhaps accurately, but somewhat unkindly, described by the Government Information Bureau as a "well-intentioned busybody", succeeded in securing an

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interview with Mr. Sean Russell, who is apparently the acting head of the I.R.A., and afterwards with Mr. de Valera, for the purpose of acting as mediator between them. Mr. Russell stated he was ready to enter into negotiations. Mr. de Valera, however, promptly informed Mr. Harte that the Government could not enter into any private bargains or arrangements with any section of the community, and that there was full freedom to organise in favour of any political programme so long as force was not used. Mr. Russell retorted by publishing the details of an interview he had with Mr. de Valera at the latter's request two years ago, at which, in reply to a suggestion by Mr. de Valera that the I.R.A. should disarm, he had said the I.R.A. would co-operate with the Government if the latter agreed to declare a republic within a reasonable time, say five years, a proposal Mr. de Valera refused to consider. Mr. Russell went on to point out that had such an understanding been then arrived at the "shootings of Egan and Somerville" \* need not have taken place. Comment on this admission is unnecessary. The whole incident illustrates Mr. de Valera's change of attitude towards the I.R.A., which he now apparently realises at last to be a discredited terrorist organisation.

The Government, meanwhile, have taken no overt steps to stop General O'Duffy's intervention in the Spanish civil war.† On December 13 there took place at Galway a secret mobilisation of about a thousand members of his organisation who had volunteered to fight for General Franco. They were promptly embarked on a German cargo ship outside the three-mile limit and departed for an unknown destination. About thirty, after seeing the ship, had sufficient sense to return home. Another mobilisation of several hundred volunteers, at Passage East, County Waterford, early in January, proved a fiasco, as the ship on which the volunteers were about to embark did not

\* See *THE ROUND TABLE*, No. 103, June 1936, pp. 582-583.

† See *THE ROUND TABLE*, No. 103, December 1936, p. 163.

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materialise—for reasons possibly best known to the Government. It is said that General O'Duffy has been given the rank of Major General in General Franco's army. His one-time rival, Commandant Cronin, ex-generalissimo of the Cosgrave Blueshirt organisation, who tried to join the fray on his own account, was refused admittance into General Franco's territory. There must be approximately two thousand Irish volunteers with Franco's forces. Certain members of the I.R.A. are fighting on the Government side, and it is a pity that more cannot be induced to follow their example. The Spanish civil war would at least have served some useful purpose if it enabled us to get rid of some of our wild men of both varieties. It is to be expected that those who return will be sadder but wiser men; whether they will be more valuable members of society is doubtful.

When the Dail adjourned on November 27 Mr. Cosgrave, who seems to be obsessed with the fatuous notion that the only duty of an Opposition is to oppose, moved that the Government should recognise the Government of General Franco, on the ground that the Caballero Government was communist and stood for everything we abhorred. Mr. de Valera replied that they could not recognise the Franco Government until there was some clear indication of its stability, and they did not see why they should do more in the matter than the Vatican had done. The policy of the Government, he concluded, was in accordance with the usual practice; it was also the right and prudent policy, best in the interests of this country, best in the interests of Spain, and best in the general interests of world peace. With these conclusions most sensible people will agree. It is worth noting that the Catholic Hierarchy have been wise enough not to identify themselves publicly with Mr. Cosgrave's motion or General O'Duffy's mischievous antics.

The Irish Free State,  
February 1937.

# THE EMPIRE AND THE CRISIS

## *Editor's Note*

**A**N earlier article has told the story of the abdication crisis and dealt with its implications for the Commonwealth constitution. In the following pages we have brought together the accounts that we specially requested our correspondents in the Dominions and India to send of the reaction of public opinion in those countries to the events of last December. They may be allowed to speak for themselves without editorial comment.

### I. CANADA

**I**T goes without saying that the abdication of King Edward and the events that led up to it profoundly stirred the Canadian people. The shock was doubtless less than that sustained by any other nation of the Commonwealth, for the reason that, while the Canadian press maintained throughout last year almost as complete a silence as did that of the United Kingdom, Canadians could not remain unaware of what was appearing in the American press. As, throughout the summer and autumn, the flood of comment, speculation and prediction gathered way, uneasiness and even alarm as to what it all portended grew apace. When the true facts were at last made known, and the difficulty and danger of the situation were realised, the feeling uppermost throughout the country, next to that of infinite regret, was one of hope that somehow a solution would be found that would not necessitate abdication. Based primarily on a very real and deep regard for, and loyalty to, King Edward, this feeling had in it an element

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of fear lest such a happening might do harm to the institution of the Throne. When, however, the only alternatives to abdication became clear, the country, practically without a dissenting voice, accepted abdication as the only possible solution. It only remains to add, so far as the public are concerned, that with the feeling of regret that it had to be, and of relief that a minimum of harm had been done, went admiration for what the Prime Minister described as "the sympathetic and sagacious manner in which Mr. Baldwin dealt throughout with one of the most difficult situations with which any Prime Minister could possibly be faced", and thankfulness that in the new King the Empire has a Sovereign on whom it may depend to carry on the fine tradition of his revered father.

The unanimity of the country as to what had to be done is confirmed by the fact that in the lengthy parliamentary discussion of the whole situation there was no word of criticism on that score. It is thrown into all the greater relief by the marked disagreement as to the way in which it was done, as far as Canada was concerned. The controversy in Parliament over the propriety or otherwise of the methods adopted by the Government to fulfil the Statute of Westminster evoked, however, little response in public sentiment. On the contrary, instead of the crisis being regarded as an occasion for asserting rights of equal status and the like, its effect was rather to emphasise not our autonomy but our unity. This was well expressed by Mr. Lapointe, the leading French-Canadian member of the Government, when he said in Parliament :

I desire to say to-day that the British Throne is the cement, the bond that unites all of us, and if it should disappear and be replaced by some other form I am afraid that the end of the British Empire would be in sight, and that Canada would soon not be part of the British Commonwealth of Nations. That is the great and the consoling lesson which comes to us as an outcome of all these troubles, which caused concern to many people throughout the Commonwealth and even throughout the world. But we are proud to say at the end that the action which has been taken, the

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sentiments which have been expressed, the feeling of all British citizens throughout the world, have been such that we have demonstrated not only to everyone in our own dominions but to all the world the granite strength of the British constitution, enshrined as it is in the British Throne.

### II. AUSTRALIA

THE events that culminated in the abdication of Edward VIII profoundly moved the Australian people. In an atmosphere of rumour and uncertainty, it was hard to gauge public opinion exactly. Mrs. Simpson's name was not unknown in Australia before December. Her photograph had appeared in many newspapers. But in the Australian press as a whole there had been very little sensationalism and gossip. The news of the impending crisis came suddenly, and people were, to some extent, bewildered and undecided.

The first expressions of opinion by the newspapers were stern disapproval of the suggested marriage, and this remained the attitude of all responsible-minded Australians, particularly of those who most cherished the loyalty of their country to the Throne. But the Australian people had an affectionate regard for King Edward, an appreciation of his public service in the war and since, and a strong admiration of his sympathy for the poor and of his outspoken condemnation of social injustices. There was much genuine sympathy for him in his stress. There was some sentimentalism, the inevitable outcome of the romantic aspects of the circumstances. But there were also very many people who in private conversation gravely censured the King (sometimes with a bitterness which they may have since regretted) for forgetting his duty to the Imperial Throne, for allowing the situation to arise and for delaying in ending it. The press, however, refrained from passing judgment on an issue that everyone agreed was a matter for the King himself to decide.

The emergency did not cause any serious political  
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partisanship. The New South Wales faction of the Labour party, which follows Mr. Lang and is ever ready to find a sinister capitalist conspiracy, asserted that there was a plot by reactionary conservatives to depose a King whose democratic sympathies were unwelcome. The members of that group in the Federal Parliament were suddenly zealous in their protestations of loyalty, and characteristically refused to believe the statements of Mr. Baldwin and Mr. Lyons that the King's decision was his own; when the climax had come, however, they found it difficult to repudiate the assurances of King Edward himself. The Leader of the Opposition, on the other hand, agreed firmly with Mr. Lyons that the abdication had been unforced and inevitable, and he insisted that the Australian Labour movement would never have agreed to the alternative of a morganatic marriage.

The King's decision was heard with a sense of relief that the uncertainty was at an end, but with widespread regret. Many people had hoped until the last that he might choose differently. But when Mr. Baldwin's speech was read and heard here, public opinion steadied itself and quietly accepted the inevitable. There has since been little disposition to judge King Edward's action, beyond, in the circumstances, approving it. It is needless to say that his farewell message profoundly touched the Australian people, and, upon reflection, perhaps most of us felt that his decision would indeed "in the end be best for all."

King George VI won the esteem of the Australian people, and Queen Elizabeth an enthusiastic affection, when they visited us in 1927. To them Australians yield unquestionable loyalty, and the Commonwealth of Australia remains unshaken in its allegiance to the Crown. It is noteworthy that in no quarter did anyone seek in any way to take advantage of the situation to loosen imperial ties.

During the early period of confused emotions and

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diverse opinions, and later after the news of the abdication was received, the people acted with calmness and dignity. There was no public clamour, no demonstration of any consequence. The Australian public seems quite ready to regard the whole incident as closed and a matter of history. The steadiness of the public was perhaps the most impressive feature of events that for that reason can scarcely be called a crisis. What to us seemed little less significant was the demonstration of the strength of parliamentary institutions throughout the Empire. The Statute of Westminster successfully stood its first trial. The British nations were capable in an emergency of achieving united action by co-operation, made possible by modern means of rapid communication. The Statute of Westminster was worked by wireless.

### III. SOUTH AFRICA

**T**O the great mass of South Africans the crisis came as a shock for which they were entirely unprepared. The whole of their press had observed an appropriate reticence in regard to the events that led up to it. Moreover, during his visits to South Africa as Prince of Wales, King Edward VIII had laid up for himself a store of affection in the hearts of the people, and left on the minds of those who came into closer contact with him the impression that he was possessed of an ultimate sense of duty strong enough to triumph over any personal inclination.

On the immediate issue of the proposed marriage between the King and Mrs. Simpson all sections of the South African public were strikingly unanimous. Had it merely been a question of the King's desiring to marry a commoner, there would probably have been no such unanimity. The attendant circumstances were such, however, that it was felt that the proposed marriage, whatever form it took, would be entirely inappropriate. The strong vein of Puritanism that still characterises the older

## SOUTH AFRICA

section of the South African people, and is not absent from the outlook of the British section, was of course an important factor in determining public opinion.

South Africa appears to have grasped, at a very early stage of the crisis, the fact that there is something more important than the person of the Monarch, and that is the institution of the Monarchy. That fact makes it easier than it otherwise might have been to assess the reactions of its people on the wider issues raised by the crisis. Here, however, one must distinguish between different sections of the people. For those citizens of the Union who are of British birth or descent the sentimental aspect was especially important—perhaps even more important than for men of the same stock in other parts of the Commonwealth, if only because they live alongside a majority element in the Union's population which does not share their sentiments. From their point of view the constitutional crisis has not merely delivered a blow to the prestige of the British Monarchy; they have felt it also as something in the nature of a stigma on themselves as Britishers.

On the other side of the South African nation the approach to the question has been determined largely by political affiliations. The Afrikaans-speaking South African who values the association of South Africa with its colleague-states in the British Commonwealth—its best friends, as General Hertzog has described them—and who appreciates the significance of the Crown as the lynchpin of the partnership, viewed the potential threat to the institution of the Monarchy with genuine regret and apprehension. His kinsman of the Nationalist Opposition, who desires or professes to desire a termination of that association, and who in any case rejoices in anything that embarrasses the Government, derived from it a certain amount of satisfaction. Yet, apart from a speech by Dr. Malan, in which he took the crisis as the text for a homily on the greater suitability of a republic than a monarchy to South African conditions, the satisfaction was, in public, decently veiled.

## THE EMPIRE AND THE CRISIS

On the whole, the Opposition press has refrained from any unduly blatant exploitation of recent events for party ends.

Of greater interest, however, has been the attitude of that section of the Afrikaans-speaking people of South Africa represented by General Hertzog and most of his colleagues in the Cabinet. It is clear that throughout the crisis the South African Cabinet worked in the closest co-operation with the British Cabinet; it is clear also that it was dominated by the desire to maintain the prestige and dignity of the Monarchy. And therein it seems that it was reflecting the spirit and attitude of mind of large numbers of the South African people not of British descent, many of them born under republican rule. Indeed, the crisis has apparently served to bring home to many in South Africa, who had not previously realised it, the significance and value of the kingship in relation to their own country.

Only two members of the Cabinet, Mr. Hofmeyr and Mr. Sturrock, the new Minister without portfolio, had occasion to speak in public round about the time of the King's abdication. Both of them commented on the tremendous value of the partnership of the British Commonwealth for South Africa and for the world, and both emphasised the importance of the Crown in relation to it. And Mr. Hofmeyr went on to say :

Though it may seem to some that a severe shock has been administered to the Monarchy by recent events, I for one believe that, when they come to be viewed in their right perspective, the institution will be seen to have emerged not weaker but stronger than before.

One special aspect of the matter has not passed unnoticed in South Africa, and that is the effectiveness of Commonwealth co-operation, and the smooth working of the machinery for securing such co-operation, in a matter of the very gravest difficulty. There can be little doubt that, as far as South Africa is concerned, the crisis, so far from proving to be disruptive in its effects, has tended to

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draw the Commonwealth closer together. And for that it is recognised that a large part of the credit must go to the statesmanship, the insight, and the humanity of Mr. Baldwin.

### IV. NEW ZEALAND

THE first impulse among the people of New Zealand, when the crisis broke upon them, was to find some compromise that would allow a beloved Monarch to remain on the Throne and to marry the woman of his choice. But as the story was unfolded with painful logic by Mr. Baldwin the public saw clearly that abdication was the only possible outcome. There was no disposition at all to blame or to criticise. The only criticism was that things had gone so far before our people knew anything. Puzzled exasperation was caused by a succession of press speculations, each of which originated with some reputable London newspaper and eventually proved quite unfounded. For example, the public was informed that Mr. Baldwin had assured the King that neither his own party nor the Labour party would carry on the government if His Majesty continued with his intentions. Then it was stated that if the King abdicated he would have to live outside the British dominions for the rest of his life, and that he would lose all rank and title and be merely "Mr. Windsor". This is not a case of too little freedom of the press but of too much. That the Dominions should receive such inaccurate information at a time of grave imperial crisis is a matter of serious concern.

Another danger, we now see, might well arise from the convention of silence that surrounds the Throne and that caused the Empire press to refrain for months from commenting on alarming statements that were freely current in the press of the United States and other countries. The British public no doubt had some inkling of what was happening, but people in this Dominion, who are equal partners in their allegiance to the Throne, knew very

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little. Until the Bishop of Bradford uttered his measured reproof of King Edward's indifference to religion, the people of New Zealand were quite unaware that there were any grounds for uneasiness. Then quite suddenly it appeared that the Monarchy, which was enshrined in popularity and reverence, was in fact slipping towards the edge of a chasm. It took several days for the public to recover from its amazement, but from that point public opinion moved smoothly and unerringly along the same lines as in Great Britain.

The only temper shown was one of impatience that the crisis should be got over as soon as possible. The Monarchy had suffered great loss of prestige; the faith of the oversea democracy was shaken and disillusioned; but there was no need to prolong the uncertainty. As early as December 4 the *Evening Post* said :

Nothing that has happened in the long chain of events in dictatorship politics exceeds in seriousness, from democracy's standpoint, the cloud that threatens to come between the British people and their King and between the Empire and its remaining symbol, the British Crown. . . . Its wearers cannot live in defiance of constitutionalism, and ought not to live in defiance of propriety. . . . The abdication of King Edward . . . will be a great blow to modern British constitutional tradition, yet preferable to the cloud over the Crown becoming permanent and weakening the will of Britain and the co-operation of the British Commonwealth of Nations in the great crisis that is evidently at hand in world affairs.

The *Dominion* noted on December 10 the remarkable fact that

a preponderantly Conservative Government at home, a Liberal Government in Canada, coalition Governments in South Africa and Australia, and a Labour Government in New Zealand are in agreement, more especially when they alone among the peoples of the Empire are in possession of all the facts.

There was not evident anywhere in our press the slightest desire to decide the matter apart from the other Dominions, or to insist on special or separate consideration. The

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machinery of consultation among Empire Prime Ministers seems to have functioned quite satisfactorily. The New Zealand people, as represented by a Labour Government, has never asked for a review of its constitutional position as accepted by Tory predecessors. The Dominion remains, as it was, within the Commonwealth, glad to see the Irish Free State make a similar choice, and confident that our constitutional system will emerge strengthened rather than weakened by what was in effect a demonstration of the control of Parliaments over the Crown.

For the rest, the press comments were a unison of sympathy with the ex-King and Queen Mary; of admiration for the conduct of Mr. Baldwin, and determination, now that it is all over, that the Crown shall regain its high prestige, as far as the unfaltering loyalty of its people in this Dominion can contribute to that end.

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INDIAN reactions to the crisis were marked with a bewilderment which, in responsible quarters, gradually resolved itself into a recognition of the inevitability of King Edward's decision to abdicate. Before the issue had become a public controversy, the Indian press, like the British press, had refrained from discussing the private affairs of the King; and when the question did become one of public moment Indian newspapers showed great restraint and dignity in dealing with it. Generally speaking, the more important of the English-written Nationalist newspapers independently reached the same conclusions as were reached by the responsible press in Great Britain. It was quickly realised that the issue narrowed itself to renunciation of the proposed marriage or abdication. While the deepest sympathy was felt for the King in his dilemma, it was felt that delay in making a decision might bring serious constitutional complications; it was even thought that there were dangers to the status of the Crown, although

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loyalty to the Throne and the reigning House was a characteristic feature of all discussion.

Underlying much of Indian comment, however, was a feeling of surprise that the King could not marry where he chose. The fact that Mrs. Simpson had divorced two husbands, both of whom were alive, was realised to present grave difficulties, at least for the Coronation ceremony. But the Indian attitude towards kingship, deriving from ancient traditions, inclines to allow a wide latitude of matrimonial choice to rulers and princes. From this angle the more extreme press showed resentment that the King should even have to consider abdication as a solution. Such comment, however, was frequently warped by that political bias which some sections of the Indian press invariably adopt towards British political affairs.

The actual act of abdication was genuinely and generally deplored, even though its inevitability had been anticipated. There was immediately a widespread reaction in favour of King Edward, based on his renunciation of the Crown of the greatest Empire known to history. The idea of renunciation as an attribute of greatness is so ingrained in the Indian mind that the King's decision, on its human side, was interpreted as a noble and altruistic act, even in some newspapers which previously had contended that abdication was the only constitutional solution. By some the abdication was portrayed as a triumph of political forces and clerical reaction over the conscience of a popular Monarch, largely because the dramatic act of abdication was, to the Indian mind, invested with religious significance. But the opinion of those who, until the end, viewed the crisis purely in its constitutional aspects retained a close similarity with that which in Great Britain unfalteringly brought the issue to its climax.

In the face of a crisis that vitally affected every part of the British Commonwealth, Indian opinion coincided with British opinion on the issue of upholding the dignity of the Throne. Even among those whose political history

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might have inclined them to follow a different line, there was a very real appreciation of the function of the Crown and its value in binding the sister peoples of the Commonwealth. The political animosity that is so regular a feature of Indian comment on British affairs was curiously absent throughout the period of crisis, and, after the abdication, Indians promptly and gladly acknowledged their allegiance to the new King and his Consort. The *Nationalist Call*, an extremist newspaper in Delhi, declared that the abdication had "in no way lowered the estimation in which the Throne is held in India", while Sir Tej Bahadur Sapru, who is generally regarded in this country as an authority on constitutional matters, indicated in a widely reproduced statement that he was confident the Monarchy would survive the shaking it had received and would recover its prestige. In India, as abroad, the stability and continuity of British institutions were praised in tributes both to the King and to Parliament; and the power of a genuine democracy to surmount so unusual a constitutional test found recognition mainly in tributes to the tact and genius of Mr. Baldwin in peculiarly difficult circumstances.

# PARTIES AND POLITICS IN INDIA

## I. THE PROVINCIAL ELECTIONS

DURING the past three months, political interest in British India has been concentrated almost entirely on the elections for the new provincial legislatures. The volume of interest shown in the campaign has been somewhat surprising, in view of the contention, so often repeated by Indians of various political persuasions, that the reforms in their present shape are unwanted. It is true that the Indian National Congress is contesting the elections with hostile intent towards the reforms as a whole, particularly towards the proposed federation with the Indian states. The Congress is endeavouring to maintain its position as the central agency for nationalism, and some of its leaders are genuinely concerned about the deep and growing interest that is being shown in provincial affairs, even by its own members. The party has been virtually forced by events to contest the elections. It aims at winning as many seats as possible, in order that its non-constructive policy may have some chance of success under the new conditions. Many Congress candidates are therefore standing. They hope to have a substantial share of the 1,383 seats in the Legislative Assemblies of the eleven provinces and some representation in the Legislative Councils—the upper houses of six provinces: Madras, Bombay, Bengal, the United Provinces, Bihar, and Assam. It is estimated that the electoral rolls contain approximately 30,000,000 names, which falls short of the anticipated electorate by about 3,000,000. Something like one-sixth

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of the voters will be women, who will thus be given an influence in Indian affairs reasonably in proportion to their ability to exert it.

The campaign is, of course, without precedent in recent political history in India. No one knows how the expanded electorate will use its opportunities. There is a bewildering variety of parties and policies, indeed in some parts of the country much confusion. The Congress is the only organised body that is contesting seats in every province. The All-India Liberal Federation has many individual candidates throughout the country, but the Liberals are only loosely organised, finding it difficult to get men to oppose the Nationalists, who claim a monopoly in those political and constitutional ideals to which Liberals subscribe. The All-India Moslem League fosters the interests of Moslems everywhere, but is naturally principally concerned in protecting their status in those provinces where they are in the majority—the Punjab, the North-West Frontier Province, Bengal, and Sind. In the Punjab, however, a provincial organisation, the Unionist party, appeals to the majority of the Moslems. The party was founded by the late Sir Fazli Husain and is now led by Sir Sikander Hyat Khan, who is sponsoring a realistic social and economic programme. In addition there are several sectional groups among the Punjab Moslems, some of which have genuine political platforms, while others derive almost entirely from communalism. The Congress is somewhat weak in the province, and finds its difficulties increased by opposition from candidates representing the Hindu Mahasabha, which disagrees with several aspects of Congress policy, and the Congress Nationalists, who are opposed to the main party's attitude towards the Communal Award.

Party organisations have been slow in shaping, except in Madras, where the sincere efforts to work the earlier reforms have given reality to political alignments. The contest in Madras is between the Congress, the Justice

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party, and a newly formed People's party. Should the Congress win, it is fairly safe to predict that its provincial members will be willing to accept office. Their leader, Mr. S. Satyamurthi, has long indicated his desire to do so. But it is possible that the higher party leaders may decide against the acceptance of office; and their attitude is likely to be determined largely by the success they achieve at the polls. Elsewhere in the country the elections are being fought by minor provincial parties, and by individuals who hope to obtain election by personal influence and local popularity. The existence of communal constituencies and of representation for special interests makes it fairly clear that some of the future Governments must take the form of coalitions. This has already been foreshadowed in Bengal, where Hindu and Moslem leaders have arranged to share Ministerial offices. This agreement is essentially a political one, and does not imply the solution of the communal problem in that province. But as a working arrangement, designed to facilitate the handling of the reforms, it should tend to minimise communal tension, which has long existed in Bengal over the Communal Award, and particularly over the so-called Poona Pact.

By the time this appears in print the elections will be over and the provincial Governors will be forming their Ministries. In making his appointments each Governor has been instructed to select his Ministers in consultation, first, with the elected member who is most likely to command a stable majority in the Legislature, and, secondly, with those persons (including members of minority communities) who will be in the best position collectively to command the confidence of the Legislature. The Governor has also to bear in mind the need for fostering the idea of joint responsibility among his Ministers. These instructions predicate party or coalition Governments, and as parties as such are scarce the tendency will be towards coalitions. In future the Governor will have to be guided by the advice of his Ministers, unless such advice is

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inconsistent with the fulfilment of his special responsibilities. Meanwhile, appropriate financial arrangements have been made to enable the various administrations to be conducted pending the preparation of budgets by the new Ministries.

### II. CONGRESS DISSENSIONS

THE annual conferences of the Indian National Congress and the National Liberal Federation were held towards the end of December. The Liberals met at Lucknow, but on this occasion the Congress held its session in a Maharashtra village, Faizpur in the Bombay Presidency. This innovation was approached with misgiving by many, as it was a new experience to stage a political *tamasha* in a rural area. But it appears to have been successful enough, as the Congress leaders have decided to hold their next session in a similar environment in Gujarat. The object in selecting rural sites is to enable the Congress to strengthen its hold upon the agricultural population, and to enhance its claim to speak for the masses. The idea originated with Mr. Gandhi, whose last act in withdrawing from formal association with the party in 1934 was to see that efforts were made to increase the rural influence of the Congress. This has been achieved to a large extent. The number of primary members of the Congress is officially given as 636,131, of whom 433,176 are described as rural members. These primary members are the source from which accredited delegates to the annual sessions are drawn. The delegates at Faizpur numbered 2,222, of whom 1,528 represented rural constituencies.

The need for a stronger mass basis for the Congress was emphasised by its President, Pandit Jawaharlal Nehru, but little that was new was promulgated from the convention platform, and nothing was disclosed to indicate how the organisation was solving the main problems that faced it. The chief controversies within the Congress in recent months have been over socialism, the Communal Award,

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and the question of accepting office under the new reforms. Pandit Nehru is an avowed socialist, and he hopes that the "logic of events" will lead to the establishment of a socialist state in India. But for the moment he has decided to relegate socialism to the background of his political philosophy, giving prominence instead to the campaign for independence. For this purpose he urges the formation of an "anti-imperialist front", which he believes will emerge in its fullest form when the Congress brings within its fold all existing peasant and workers' organisations, and all other political units that are prepared to give the demand for independence first place in their policies.

This side-tracking of socialism has not passed without criticism, either from socialists or from non-socialists. The socialists condemn it as temporising with a creed in which they have the fullest faith; the non-socialists criticise it on the ground that the socialist theory has not been discarded by the leader of a popular movement, many of whose members are strongly opposed to it. While the influential Madras newspaper, the *Hindu*, described Pandit Nehru's ambiguous attitude towards socialism as "all very confusing", there is no doubt that the orthodox members of the Congress were appeased by the elimination of socialism from the President's immediate goal. The unity which the Congress ever seeks to maintain has been preserved, at least for the moment, by Pandit Nehru's new policy.

The resolutions passed at Faizpur ranged over a wide field, touching Burma and Spain, outlining an Indian policy in the event of a European war, and reiterating the party's well known views on the constitution, the "suppression of civil liberties", and other political subjects. Some prominence was given to the idea of a Constituent Assembly, an old proposal which was presented in new form in connection with the elections to the legislatures. Some indication of the party's intentions was given in the resolution that was adopted.

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... The Congress repeats its resolve not to submit to this Constitution or to co-operate with it, but to combat it. The Congress does not and will not recognise the right of any external power or authority to dictate the political and economic structure of India, and every such attempt will be met by organised and uncompromising opposition of the Indian people. The Indian people can only recognise a constitutional structure which has been framed by them and which is based on the independence of India as a nation, and which allows them full scope for development according to their needs and desires. . . .

The party claims that a genuine democratic state in India can come into being only when power has been transferred completely to Indian hands, at which time a Constituent Assembly, elected on the basis of adult suffrage, will devise the future constitution. In the meantime the intention is to keep the idea of a Constituent Assembly well to the fore, and a convention will be held in March to develop the scheme. The convention will be confined to those Congress members who are elected to the new legislatures, the All-India Congress Committee, and such others as the party may decide to include. In effect the convention will remain a party caucus, concerned to design measures for "ending" the constitution in the provinces and opposing the introduction of federation.

As a result of criticisms in the nationalist press, Pandit Nehru has been forced to elaborate his intentions in the matter. He has indicated that the actual Constituent Assembly cannot be convened until the substance of power has passed to Indian hands. He presupposes that all Indian political thought will then find its sole expression through the Congress party, an ideal that shows no sign of early realisation. Liberals and moderates find fault with much of the Congress creed, and the great Moslem minority refuses to recognise the Congress as the one political organisation capable of speaking for the whole country.

The Faizpur delegates agreed to leave a decision on acceptance or non-acceptance of office until the elections were over. The Congress speaks with two voices on this subject. Pandit Nehru is entirely opposed to the acceptance

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of office, a logical enough line for one who maintains that the constitution cannot be wrecked by co-operating with working it. On the other hand, many Congressmen are quite willing to assume office. The general attitude of the party to the reforms, however, finds reflection in the decision to observe a *hartal* on April 1, the day provincial autonomy is to be introduced. The delegates also favoured non-participation in the Coronation *durbar*, although they endeavoured to make it clear that this implied no dis-courtesy to the King. It is recalled that during the Jubilee celebrations of 1935 a similar call for non-participation went unheeded by the people, who showed the deepest interest in the observance. The party's proposal is therefore not so serious as outside observers might think, and it differs to some extent from former policies adopted by Congress members in regard to official ceremonies. The difference lies, as a Delhi nationalist newspaper pointed out, between "abstention and boycott". Boycott has not been suggested, and it is fairly certain that a visit from King George and Queen Elizabeth will be popular with the vast majority of the Indian populace.

### III. LIBERALS AND REALITIES

WHILE the Indian National Congress was losing itself in a labyrinth of false premises at Faizpur, the National Liberal Federation at Lucknow was analysing political conditions in the country with a much deeper appreciation of realities. The Liberals may be as vehement as the Congress in their denunciation of the reforms, but they recognise that the new constitutions in the provinces are far in advance of those they will displace. While the Congress aims at wrecking the reforms, the Liberals advocate the acceptance of office, with a view to working the constitution for the benefit of the people.

Sir Cowasjee Jehangir, President of the Liberal Federation, was outspoken in his criticism of the Congress policy,

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particularly regarding the party's indecision on the matter of accepting office. In his presidential address Sir Cowasjee pointed out that there was something unfair to the voters in the Congress decision to contest the elections without committing themselves to the assumption of office. In his opinion a policy of this kind would not be tolerated in any country where the electors were trained to a sense of political responsibility, and he contended that the Congress leaders were treating the voters with contempt. Although the Liberal party was far from being satisfied with the reforms, their leaders were prepared to accept office. The Government of India Act was an accomplished fact, and marked a definite advance on the existing constitution. Sir Cowasjee Jehangir reiterated the widely held belief that in the future much will depend on the Governor General and the Provincial Governors. He believed that given men with wide sympathies and common sense, with which the British nation has been amply endowed, and given Ministers who will not seek deadlocks, the constitution should be given a fair trial. Its success must ultimately lead to a vast expansion of powers, equal to those enjoyed by the Dominions.

This attitude towards the Act finds a response in various political quarters, although the Congress, with its elaborate organisation and a supporting press, gives contrary opinions a wide circulation.

Views of the kind held by Liberals will no doubt find greater endorsement when provincial powers have passed to Indian hands. Hitherto the Congress has never permitted itself to be placed in a position that would require its leaders to render an account of their stewardship to those whom they claim to represent; but in future, and particularly in those provinces where they may elect to take office, the party will be subjected to the normal pressure of public opinion. Doubtless this colours the outlook of those who are opposed to accepting office, for already the Indian press has shifted its attitude towards the reforms and has expressed decided opinions on a variety

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of political issues in such a manner as to make it clear, even to Congressmen, that theorising is not enough. So long as Congressmen are in the wilderness, declaiming popular shibboleths, realistic criticism has been silenced; but Congressmen as Ministers will be forced to recognise, and even accept, the new opinions, although the party will never wholly be deprived of its power to create deadlocks in the legislatures.

### IV. POPULATION AND FOOD SUPPLIES

THE latest annual report of the Public Health Commissioner with the Government of India throws into new perspective the old problem of population in relation to food supplies in this country. The last census disclosed that the population of India bordered on 353,000,000, a figure that placed India above China as having the largest population of any country in the world. The population increase in the decade between the censuses of 1921 and 1931 was approximately 34,000,000, which in itself almost equals the population of France. It is estimated that by 1941 the population will approach 400,000,000, and whether this enlarged population can be balanced by an increased food production is a problem of some gravity.

It is clear that this country needs a higher standard of living and improved health conditions, and it is generally assumed that these may be obtained either through increased food production or through a drop in population. A decline in population is not a likely prospect in the immediate future; the customs, living conditions, and illiteracy of the people suggest that the population increase predicted for 1941 is likely to be fulfilled. It would be unwise, however, to conclude definitely that food production will be unable to keep pace with the increase. Agricultural research is constantly yielding methods for increasing productivity, and under Lord Linlithgow the agricultural activities of the Government have been given

## POPULATION AND FOOD SUPPLIES

a distinct impetus in recent months. The Viceroy has repeatedly emphasised the need for using the achievements of scientific research for the practical benefit of the people. The Imperial Council of Agricultural Research, since its establishment in 1929, has immensely improved agricultural methods and practices in this country, and has proved its efficacy in improving crops and yields wherever better varieties of crops have been planted. Such work is constantly expanding and developing.

Although there is evidence of widespread under-nutrition in India, there is nothing to show that the *ryots* are worse fed now than in earlier days. This may not be a satisfactory comparison, as standards have been notoriously low for generations. But it is quite probable that the absorption of foodstuffs over a period of years has risen in proportion to the population. For those who believe that improved economic conditions, or a rise in the standard of living, will be followed by a drop in the birth rate, there is some evidence in the Health Commissioner's report that economic conditions are improving; while for those who hold that sooner or later increasing density will tend to lower fertility there may be some consolation in the fact that population density is increasing throughout India. The report also stresses one important factor in regard to the birth rate. There is a considerable volume of opinion among those qualified to judge that the age of females at marriage is rising; this rise will tend to reduce fertility and to lower the birth rate. But in whatever direction the solution of the population problem in India may lie, it is now accepted that there is an urgent need for an investigation into the state of nutrition and dietary habits of the people.

India,

January 21, 1937.

## PRESIDENT ROOSEVELT'S TIGHT-ROPE

### I. NEUTRALITY PROJECTS

THE basic fact about the United States of America to-day which ought to interest readers abroad is that President Roosevelt has definitely made up his mind to do something of assistance in the troubled world situation. Neither the President nor his advisers, however, know exactly what to do. For two months now they have been exploring all possible suggestions. They have not yet found a program that would meet the two requirements: support of the American people, and genuine helpfulness to the other nations. If or when they do find such a program, President Roosevelt will probably spring to action with all the dramatic eagerness of his character. There is, of course, no assurance that any such course of action will be discovered. The limitations are severe. Public opinion would not support the President in any overseas program that seemed to "involve" the nation. Only some "moral" gesture, some action in the field of disarmament, or perhaps some economic or financial plan, would meet with approval among the vast American majority.

But it is not easy to suggest any "moral" gesture, any disarmament scheme, which would be of genuine value to the nations striving to keep the peace. Already, in 1933, President Roosevelt suggested in a communication to the heads of States that they enter into a non-aggression agreement, pledging themselves not to send their troops across their own national frontiers. Revival of this plan is being suggested here. But its emptiness is pretty well realized. President Roosevelt is well informed on world affairs;

## NEUTRALITY PROJECTS

he is a political realist served on the whole by realists, and so he, too, must have discounted the advantages of any such pledge by the nations.

Another suggestion, which is apparently being canvassed at the White House and State Department, is an armaments holiday, or standstill agreement. It is recognized that the armaments race is perhaps the most vicious arc in the whole vicious circle in which the nations are now entangled. But 1937 is hardly the time to suggest freezing present strengths, as people here fully realize, unless some device permitting the completion of present rearmament programs were included. To that idea, also, there are obvious objections. So the State Department brain-trusters, racking their over-worked heads, are driven out of first one and then another suggestion. Even the fertility of peace-planners runs thin.

Yet the contribution that the United States has already made, and is perfecting still further, in the evolution of its "neutrality" laws should be recognized and analyzed. Seeing that these laws require impartiality of treatment towards possible aggressor and aggressed alike, the collective-actionists have been prone to criticize and ridicule them. But a little more realism in considering these laws in relation to practical war-time conditions brings a different view.

First of all, no matter what the form of the final neutrality law that is passed at this session of Congress (and the Bills are as yet in an early legislative stage, with President Roosevelt's hand not yet disclosed) it is already clear that we have renounced the doctrine of "the freedom of the seas" as it has waved irascibly over American foreign policy down through the years. Of course, whether we "wage" neutrality or "suffer" neutrality depends on public opinion as reflected in the policy of the President. It is really not a matter for Congress at all. From 1914 to 1917, we were waging neutrality. The flag followed the war-time trade, from our shores to those of our customers. Germany's submarine warfare assaulted our ships, Great Britain's

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seizure policies also violated our neutral claims. As has been so often pointed out, if Germany had played a more clever game with the United States, we might have been deeply embroiled with Great Britain. That danger has been removed for the time being by American public opinion, expressed in the neutrality statutes. But the most important factor is that opinion itself. If any American goods were seized, or American citizens got into trouble in new war areas, it seems clear that opinion would to-day declare: "They should have kept out of harm's way". The fact that the United States will not be striding about the world with a chip of neutral rights on its shoulder in the event of another war should be a profoundly reassuring fact, not so much to possible aggressors, but primarily to Powers that may be on the democratic, peace-defending side. Particularly, our new policies and state of public opinion should be of intense importance to the Powers that control the seas.

The probable form of our new neutrality statutes is almost equally reassuring to the sea Powers. Everything is headed now toward a re-enactment of our previous neutrality legislation, *plus* some form of "cash-and-carry" plan. This means, of course, that we would sell war materials only for cash, and would insist that they be transported in somebody else's ships. Great Britain has the shipping with which to bring needed war materials to Europe—or at least has incomparably more shipping than any of its potential enemies. It also has more available cash, not only in its own coffers but in the United States already. American banking authorities estimate that over \$7,000 million (£400 million) in foreign investments are now placed in the United States. Of this total, well over one-half is in British and French hands. About one-fifth, incidentally, is estimated to be in Dutch and Swiss hands. It is clear that Great Britain could find the cash to buy war materials in the United States, first through use of available funds in London, then through use of short-term deposits in the United

## NEUTRALITY PROJECTS

States, and finally through disposing of American securities. In its last stages this process might be drastic, but nevertheless Great Britain has the financial resources to buy war supplies in the United States to the total of thousands of millions of dollars.

Thus, Washington does not believe that its present neutrality policies, even if implemented by a cash-and-carry plan, should seriously disturb Great Britain or the democratic States of Europe. The neutrality laws—if enacted as they now shape—would, of course, prohibit export of arms, ammunition, and instruments of war to both sides. But it is assumed that the democratic States—like their opponents, who would probably find their access to the oceans severely restricted—are much more interested in raw materials, automotive products, and the like than they are in bare munitions. Raw materials and automotive equipment would be readily available with far less time-lag than would apply to munitions. Moreover, Great Britain would have the possibility of making purchases of supplies through Canada. Although the neutrality statutes may prohibit shipment of certain products to neutrals, the present branch factories of American automotive companies in Canada would be available for such purposes as were required.

It will perhaps be useful to summarize exactly what sort of restrictions the United States now contemplates on its war-like trade. First of all, there is certain to be a flat, mandatory embargo (which the President will be required to apply as soon as he determines that a state of war, or civil warfare, exists) upon arms, ammunition, and instruments of war. Secondly, there are sure to be restrictions on the travel of American citizens upon ships of belligerent nations or in war zones. Thirdly, there is likely to be either a cash-and-carry plan or permissive authority to the President to apply restrictions upon the export of various war commodities.

It will be seen that the cash-and-carry plan is contrived

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not to choke off war supplies—and thus perhaps to shorten the war—but simply to avoid American entanglement. Therefore it should not be resented by belligerents. And if the war-materials restriction is made permissive with the President, there is no ground for complaint until it is applied. The cash-and-carry scheme was devised by the group of Senate isolationists who conducted the long investigations into the munitions business. They are bipartisan, including two Democrats, Senators Clark and Bone, and two Republicans, Senators Vandenberg and Nye. Their method is ingenious :

Whenever the President shall have issued his proclamation (of the existence of a state of war) thereafter it shall be unlawful for any American citizen, partnership, company, association, business trust, or corporation to retain or assert any right, title, or interest in any article or commodity exported by sea from the United States to any port or place which can be reached only by traversing those waters adjacent to a belligerent state which are within the zone of belligerent operations as determined by the President, and no such right, title, or interest shall be recognized by the Government of the United States . . . and any contract for the insurance of risks on any article or commodity so exported, or on any American interest therein, or any American vessel carrying such article or commodity, shall be null and void . . .

This measure is the more extreme of the two that now stand any chance of enactment ; the other leaves the embargo authority in the hands of the President. It will therefore be seen that, so far as any rigid legislative enactment is now concerned, the United States is not likely to cut the sources of war materials from any belligerent that has access to the seas. That fact, coupled with our relinquishment of " the freedom of the seas " contention, constitutes the American contribution—thus far in definite view—to the present European problem. What may be evolved by President Roosevelt and his advisers, engaged in their search for a peace program, is still unpredictable.

## FLOODS AND PLANNING

### II. FLOODS AND PLANNING

NOTHING is more fully reported about the United States in the oversea press than the American weather, and for years now our succession of floods, droughts, untimely freezes, earthquakes and tornados has fully justified the grim boast that "anything can happen in the United States, and usually does". But the floods we have been having this winter have been of more than meteorological interest. They seem finally to have driven home the necessity of national planning and national action to preserve our continent from the fate of China.

At the height of the floods along the Ohio and Mississippi, President Roosevelt sent to Congress recommendations for a long-range national plan and a regular annual building program. Nothing could have been more timely, and it will probably be enacted. These floods, if one may say so, are politically convenient to President Roosevelt, not only in driving home a recognition of the need for planning, but also in preserving the emergency atmosphere that prevailed during the greater part of the first four New Deal years, and was beginning to give place to a feeling of "normalcy". Again Washington has been on a 24-hour, "war-time" basis. Again we have "commanders-in-chief" dictating the government and life of beleaguered communities. Again we are breathless. Again the President's eyes sparkle, and he directs his subordinates like chess-men. Again Congress falls into a mood of heavy spending. Again we need to spend rather heavily, if for nothing more than the relief of suffering.

Out of the wreckage left by the floods and droughts—and despite the fact that these tragic experiences are forgotten with all-too-human celerity—we are likely to see rise a better planned America. The specific method of curbing Ohio river floods, for example—and thus of decreasing danger in the lowlands along the Mississippi all the way to the Gulf of Mexico—is to build vast storage reservoirs.

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The Administration proposes to build 14 of them right away, and ultimately as many as 39, although no less than 89 are said to be necessary for complete protection. But 14 will do very well as a start. These reservoirs not only serve as flood control, but they also permit extensive power production, they improve recreational and sanitary amenities. Some river basins have already been tamed by this method. The public advantages are quite evident.

The method of salvaging the drought-hit areas—with another summer of possible drought ahead, because the amount of moisture being held back in the great plains is woefully insufficient—is more complicated. It involves moving a large number of people to better areas, but the major method is to turn present wheat and corn lands back to the range. As grasses gradually re-establish themselves, the natural moisture is held back, the soil does not erode either from water or from wind. And there are numerous other methods of control, such as contour-plowing, terracing, reforestation, and the like.

With four more years of Roosevelt building, by which time the habit of national planning for the safeguard of our physical heritage ought to be established, the face of America should look far less woebegone than it now does, ravaged by the searing droughts of summer and the raging floods of winter. At the same time, a national planning policy in the realm of resources naturally leads to planning in the industrial and labor fields. That crisis is immediately ahead.

### III. THE AUTOMOBILE STRIKES

**W**E are witnessing one of the epochal attempts in American history to push trade unionization to the point where genuine collective bargaining is possible. It is essential to remember that there is no responsible organization to speak for labor in many American industries, of which the most notable is the automotive business. For

## THE AUTOMOBILE STRIKES

over a year, therefore, John L. Lewis—the long-maned, prognathous-jawed leader of the Committee for Industrial Organization, and head of the most powerful union in American history, the United Mine Workers—has been laying his lines in the automotive industry.

Mr. Lewis's drive had great advantages and severe handicaps. The main handicap was that he started from scratch, with no union worthy of the name in the entire industry. An earnest young preacher who lost his pulpit,\* but who had worked very little in motor factories, became head of the Automobile Workers Union. His dark eyes flashing behind studious, rimless-spectacles, this clergyman, Homer Martin, stepped straight out of a novel. His union commanded a meagre minority in the industry. But he and Mr. Lewis knew perfectly well that peace-time recruiting could not build up their strength. There are too many deterrents from the manufacturers, in the form either of a bland rain of pay-checks, or of positive intimidation. A committee headed by Senator Lafollette, the Wisconsin progressive, has recently summoned under *sub poena* a revelatory succession of industrial spies, men who earn large sums of money as informers and *agents provocateurs* to prevent or cripple unionism. So Messrs. Lewis and Martin decided that only in an atmosphere of strike could they swell their ranks, particularly if they should win or draw in the outcome.

They had the great advantage of a fragile automotive industry. General Motors Corporation, like the individual motor-car factory, is a great assembly-line. Close two or

\* It is interesting to note how many clergymen have sprung into prominence in what some call social reform, others agitation, in recent months in the United States. Father Coughlin was our most striking example; Gerald L. K. Smith, a fiery follower of Huey P. Long, seemed at one time a possible American Hitler; Dr. Townsend's old-age-pension movement is largely staffed with clergymen, with or without pulpits; and in state after state the "radical" movement which generally means "crack-pot" panacea-chasing instead of adherence to an economic or political philosophy—is dominated by smouldering-eyed clergymen with a gift of the gab.

## PRESIDENT ROOSEVELT'S TIGHT-ROPE

three essential units, taking out only a few thousand men, and you stop the whole thing. Meantime, General Motors' competitors, Ford and Chrysler (which makes the Plymouth car as well) merrily kept on manufacturing cars and holding their far-flung distributive systems intact. The pressure on General Motors was therefore very great.

But the union leaders adopted the new technique of the sit-down strike. Although it was particularly comfortable to sit down (and eat and sleep and live) in factories that make nicely upholstered motor-car bodies, this strike was almost too effective. Like the general strike, it tends strongly to alienate public opinion. Moreover, the public has never learned to regard motor-car manufacturers as industrial ogres, in the fashion of steel kings or textile barons. The General Motors people, Walter Chrysler, and Henry Ford, are looked upon as noble, self-made men, who used to repair bicycles within the memory of many people. They are the heroes of success-stories; they have not huge paunches, they do not glitter with gold and diamonds, and they are not recalled as smoking long Havana cigars.

The union's weakness, the company's relative favor with the public, were balanced off against the very real grip Mr. Lewis had upon General Motors production in a severely competitive business. A compromise settlement was the only possible outcome, leaving Mr. Lewis in somewhat strengthened position, but not yet master of the industry, nor yet leader of a real American labor party.

## IV. THE POLITICAL FUTURE

HERE, it is obvious, we come to the great American question of to-day. Whither are we moving governmentally, after the landslide re-election of President Roosevelt?

First of all, the paradox must be pointed out that the very landslide has had a moderating influence. It has made

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Mr. Roosevelt the President of the whole people. It has cancelled his political indebtedness to any particular groups, for his majority was far greater than any single group. It opened the way to what the label-lovers called "an era of good-feeling", copying the historians' phrase for President Monroe's Administration in the 1820's. And it has left the President precisely where he was during all his first Administration: an assiduous student of public opinion, a practitioner of the "quarterback-theory" of government, which simply means the rule of expediency.

This is not to be taken as a slighting description. President Roosevelt, like any other democratic official, seeks to govern by majority rule and to adapt his governance to the times. In his second term, his job is not to get re-elected (as it was inescapably for a large part of his first term) but to write a great record for history. His own strong preference is to rise above party, to govern as the leader of an united people. His closest friends and advisers are drawn equally from his own Democratic party and from the progressive Republicans. President Roosevelt, in short, is a born centrist. He has described himself as "just to the Left of Centre".

And that is where the majority of the American people are to be found at present. Sometimes the President darts Leftward, sometimes he swings to the Right, but these gestures are simply to preserve his balance in the Centre. He comes under pressure from both wings, and he responds to both. He exasperates some of his friends who have fixed convictions. But if you admit the legitimacy of a centrist philosophy, you make an honest philosopher of President Roosevelt.

Already, in his second term, the President has taken steps in both directions. Within two days, he rebuked both employers and workers in the General Motors strike. After sweetly reassuring business following the election, he has turned around and gone after the private utilities in the Tennessee Valley area with knife and machine-gun.

## PRESIDENT ROOSEVELT'S TIGHT-ROPE

At least, he has threatened them with such weapons. Much turns on the power issue; in the eyes of social planners it is the basic issue. The President, by threatening to set up a completely competitive system of government-owned and -operated power lines in this vast southern empire, may simply be seeking a more favorable grid-system alliance with the private utilities. In short, his centrist philosophy may be in process of application, and we are merely seeing a realistic form of government regulation rather than a move toward full socialization.

From every standpoint, the next few years look like a period of consolidation, of improvement in the hasty reform laws passed in the last term, of careful drafting of new projects. Not the least important of these new plans is that for governmental reorganization. A weighty report, recently sent to Congress, would increase the Cabinet portfolios by two, draw into the departments the long list of "independent offices" that have grown up through the years, and, most important of all, would extend the civil service higher in the governmental structure and provide for the first time a well-paid career service on the British model. If President Roosevelt achieves this reform, he will have written his name large in American history.

Countless unsolved problems remain, but they are problems on which there is much national agreement. Of the two greatest challenges, one is that of housing, which, in turn, is the key to an American rebuilding program potentially as great as the railway-building expansion of the last century. The other is the betterment of tenant-farming conditions, which keep in degradation a large and growing group of hopeless people, of good racial stock, in the south and west.

As long as President Roosevelt deftly maintains his position in the Centre, the likelihood of either a strong Left or a strong Right party is small. In 1940 he must pass the baton on to other hands. The most attractive younger man to-day is Henry A. Wallace, the thoughtful,

## THE POLITICAL FUTURE

philosophical, religious, sturdy Secretary of Agriculture. Whether Mr. Wallace can acquire political tricks remains to be seen. He, too, is a born centrist. As long as this centrist position continues, President Roosevelt or his successor can hold the great bulk of the Democratic party behind him, and attract big sections of the Republican party. The Centre position might be well-adapted to a period of relative but somewhat precarious prosperity. In case of hard times, or perhaps European war, the President would have either to move toward the Left or to take up a stand above all party lines until the *dénouement*.

Therefore, we are still living our political philosophy from day to day. Strong lines are not yet drawn. The Opposition is at sea. But we have a strong executive, the best of guarantees of stable policy in case a crisis strikes the world. We are equipped for a cyclone or for sunshine, and it is hard to say which of these would more decisively drive President Roosevelt from his tight-rope.

The United States of America  
February 4, 1937.

# GREAT BRITAIN

## I. UNIFORMS AND UNIFORMITY

THE fascist-communist thunder-storm, which overcast political skies in the autumn, has rumbled away below the horizon. For this a number of reasons may be responsible: returning industrial prosperity, the unseasonableness of open-air demonstrations, the Government's show of determination to prevent the militarisation of politics. The Public Order Bill \* duly passed into law, and became operative on January 1. The Government proved ready to introduce or accept amendments to the Bill designed in the interests of the liberty of the subject, which some thought were encroached upon by certain of its clauses; but the ban on "uniforms signifying association with any political organisation or with the promotion of any political object" they refused to modify, resisting attempts to define the term "uniform" or to limit it to the "military or quasi-military". The British Union of Fascists issued a statement recording the opinion of counsel that the blackshirt uniform was illegal; that an ordinary shirt of black colour with tie worn under an ordinary suit was legal; and that their organisation was not otherwise affected. They added: "As it is the consistent policy of the movement to obey the law of the land, the black-shirt uniform therefore will not be worn by members in any public place or at any public meeting".

At the end of January a prosecution was successfully brought at Leeds against a Mr. Wood, who had sold fascist newspapers in the streets wearing a black peaked cap bearing emblems, a black shirt and tie, riding breeches,

\* See *THE ROUND TABLE*, No. 105, December 1936, p. 183.

## UNIFORMS AND UNIFORMITY

and a black overcoat. The defence was that this costume was not a political uniform but a newsvendor's livery, owned and issued by a firm called the Action Press Limited. It was admitted that the Action Press had the same address as the head office of the British Union of Fascists, of which Wood was a member. The defendant claimed that when Sir Oswald Mosley wore a similar uniform he did so as a newsvendor for the Action Press, and would have it withdrawn from him if he failed to sell, or pay for, at least 2s. 2d worth of newspapers each week. In recording a verdict for the police, the stipendiary magistrate said that one had to put oneself in the position of the man-in-the-street, and consider if to him the person charged would appear to be wearing something that showed he was a member of a particular party. A few days later a successful prosecution was brought at Hull against men who had worn black shirts or pullovers (not all wore black trousers), brassards, and belts with a fascist badge on the buckles. The magistrate said he thought that if a uniform was intended to mean a complete outfit, as the defence contended, then Parliament would have said so.

The fascists are not the only organisation to feel the effect of the Act. The secretary of the Independent Labour party received a letter from the Commissioner of the London Police, before the Act went into force, stating that he had been advised that uniform signifying the wearer's association with the I.L.P. was a prohibited uniform. The Secretary replied that, while he had transmitted the Commissioner's letter to branches of the party and to the Guild of Youth, in his view the red shirts and red blouses worn by members of the Guild were in no sense a military uniform, but were worn mostly on rambles, for sports purposes, and on week-end outings. It is not, however, military uniforms but political uniforms that the Act prohibits.

This handicap to public demonstration may have

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accelerated the plans of the British Union of Fascists to establish themselves as a parliamentary political party on a national scale. Lists of fascist candidates for different constituencies have been published from time to time since November, and the objective is stated to be to put up 400 candidates at the next general election. This decision cannot be regretted. Parliamentary election is the core of our democratic constitution, the crucial test of the appeal of any political creed to the people as a whole. The entry of the fascists into the parliamentary arena will provide the first real test of their strength. In view of his earlier experiences with new parties at the polls, Sir Oswald Mosley may be excused a certain amount of apprehension on this score.

The debates on the Public Order Bill exposed the conflict between the desire to afford everyone political and social freedom, and the desire to handicap those whose objective is to injure that freedom, whether they be fascists or communists. A similar occasion was furnished by an official announcement, early in January, that the Lords of the Admiralty had satisfied themselves that the continued employment of a certain five dockyard workers was not in the interests of the naval services, and that their lordships had no further statement to make. Concern was at once aroused in Labour party and trade union circles, and the uneasiness spread further than that. In answer to a question by the leader of the Opposition, Sir Samuel Hoare denied that the men had been discharged because of their political views. So long as any dockyard employee's work was satisfactory, and his politics neither interfered with it nor led to courses that would endanger the navy and the state, there never had been any interference with him. There did, however, arise very rare cases in which individuals departed from the high standard of loyal conduct that the dockyard personnel themselves had set up. Such cases in a royal dockyard involved serious risks, dangers and anxieties. Information had

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reached him of subversive activities on the part of certain men. After a personal investigation he had had the cases exhaustively examined by a committee of highly placed, responsible and experienced permanent officials, all being civilians, and some being drawn from outside the Admiralty. Although the committee had given the greatest possible weight to all points in favour of the suspected individuals, their unanimous view was that in the interests of the safety of the navy the five men should not remain in employment in His Majesty's dockyards.

The Labour party insisted on pursuing the question in the form of a vote of censure, regretting the action of the Government in dismissing the men without informing them of what offences they were accused or affording them any opportunity of making any defence. The First Lord, however, was adamant, adding little to his previous statement. He admitted that it was the secret service—whose existence he deplored but insisted was necessary—that had supplied the information about the discharged men. They could not be told anything without betraying the methods of the secret service; therefore in the interests of the state they had to be told nothing. Dislike of the system of espionage is universal among the people of this country, and, while the rejection of the censure motion by 350 votes to 145 no doubt fairly represented the view of the House on the necessities of the case, a great many people were left with a feeling of profound disquiet that those necessities should exist. As the *Manchester Guardian* put it, "the safety of the state is of the first importance, but so is the safety of the individual".

The Labour party has not been entirely happy in its domestic affairs lately. The reaction to five years in Opposition, as well as the example of "popular fronts" in other countries, has given rise to a number of proposals for alliances on the Left. To some extent these proposals have cancelled each other out; for while a "popular front" has been taken by some to mean a union

## GREAT BRITAIN

of all the radical critics of the Government, including the Liberals and even possibly some dissident Conservatives, others have adopted the slogan "No enemies on the Left", implying the consolidation of the Labour and the Communist parties and of any groups between them. These two policies would be diametrically opposed. The first, perhaps, offered the most tempting chance of securing a majority representation for the Left, but it has been rejected by the official spokesmen of both the Labour and Liberal parties, and in fact it is only the second that has had any practical manifestations. In the middle of December the Communist party, the Independent Labour party and the Socialist League issued a joint statement foreshadowing what was described as a united front between those three bodies. The Labour party has consistently extruded the Communists from membership, and the I.L.P. was also disaffiliated some time ago. The Socialist League, of which Sir Stafford Cripps is the leading personality, retained its affiliation to the Labour party. The purpose of the united front was said to be to resist fascism and to concentrate joint propaganda on the means test and other social questions. The united front was approved by the three constituent organisations on January 17, the Socialist League accepting it by a majority of only 56 to 38. A fresh manifesto expressed implacable opposition to the rearmament and recruiting programme of the National Government. The I.L.P. made certain reservations with regard to association with the other two bodies, declaring that it maintained its opposition to working-class reliance on the League of Nations, the collective system of peace, and military pacts between capitalist governments. In this respect it disagreed with the policy of the Soviet Government, but it recognised the need to subordinate criticism of Soviet policy in order to mobilise support for Russia arising out of its action in relation to Spain.

A few days before the united front was consummated, the national executive of the Labour party issued an

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appeal for party loyalty, declaring that association with two kinds of organisation was in direct conflict with the decisions of the party conference. The two classes were :

(a) organisations which were clearly formed to pursue united front or popular front activities;

(b) organisations which were being promoted to weaken the party's organisation and electoral power by association with other political bodies which did not share the party's determination to achieve its democratic socialist objectives.

It was, therefore, to nobody's surprise that the party executive disaffiliated the Socialist League. This, it was explained, did not imply the expulsion from the Labour party of individual members of the League who might also be party members. For its part, the Socialist League urged its supporters to retain their Labour party membership. The divisional Labour party for Sir Stafford's own constituency passed a resolution expressing its complete confidence in its member and regretting the disaffiliation of the Socialist League. The fate of the united front will be anxiously watched by the orthodox Labour leaders, though their anxieties are mitigated by the great power in the Labour party of the trade union movement, which always inclines to be moderate and to oppose the forces of communism, which it regards as dangerously disruptive of its own industrial and political power.

### II. THE SPECIAL AREAS

**A**MONG the most striking of King Edward VIII's public acts was his visit in November to the distressed areas of South Wales. He was accompanied by the Ministers of Health and Labour, by Mr. Malcolm Stewart,\* the retiring Commissioner for the Special Areas, and by his successor, Sir George Gillett. Great publicity was given to His Majesty's statement at the end of the tour :

Something will be done about unemployment. I can sympathise with you. Everything will be done that can be done.

\* Mr. Stewart has since been honoured with a baronetcy.



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A few days earlier, the Government had had to face the prospect of a revolt of a section of their own supporters on the issue of help for the special areas. The Special Areas Act had been scheduled in the annual Expiring Laws Continuance Bill, a gesture of apparent satisfaction with its form and operation that was resented by the Opposition and by a large number of Conservative members. Mr. Chamberlain mollified the critics by declaring that a list of proposals for government action put forward by Mr. Stewart, some of them for enlarging the Commissioner's powers of assistance under the Special Areas Act, were being carefully and sympathetically considered. He proposed to leave the Act in the Expiring Laws Bill, but to bring in before the end of the financial year an amending Bill giving the Government the necessary additional authority. Feeling remained strong, and on the committee stage the Government were induced to accept a Conservative amendment making the expiry date of the Special Areas Act May 31, 1937, instead of the following March 31.

One of the proposals most frequently and earnestly put forward has been the appointment of a separate Minister for the special areas. This proposal is open to criticism, even from the point of view of the areas themselves, but there has been a certain amount of evidence of the need for some person or body to co-ordinate government economic policy with an eye to those patches of the country's economic life—not necessarily geographical patches—that are below the standard of prosperity. The large-scale intervention of the Government in the normal industrial life of the country through its rearmament programme makes this need all the more urgent. An incident of minor importance in itself, but possibly significant as a straw in the wind, was the decision to establish a new aircraft factory at White Waltham, an agricultural and residential neighbourhood not far from Maidenhead. The decision was assailed, not only by those who held that in the erection of factories preference should always be given

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to the more depressed industrial areas of the country, but also by those who deplored the defiling of the countryside, and by those who conceived the chosen site to be unnecessarily vulnerable from the air. Under pressure the Government rescinded their decision, and the factory is to be built in Lancashire. It was also announced in January that in disposing of the Wolseley aero-engine plant and assets \* Lord Nuffield had stipulated the transference of the business to a distressed area, and that the whole concern was being re-established on the Clyde.

But this was only a fragment of the distressed areas' debt to Lord Nuffield, whose munificence had recently been displayed by the gift of £2 million for the establishment of a post-graduate school of medical research at Oxford. On December 21 he announced that he had placed at the disposal of trustees a like sum for the benefit of the special areas. The trustees would have full discretion to use the capital of the trust for the initiation or support of measures likely to give employment to those living in the areas, as well as measures designed for their social betterment. Lord Nuffield appreciated, he said, that the Government had done and was doing all that was possible within its legitimate sphere, but he felt that there was still room for a trust, the scope of whose activity would not be subject to those limitations necessarily involved in the expenditure of money authorised by Parliament.

The Labour party has been conducting its own investigation into the state of the special areas, and at the end of January its commission of inquiry published an interim report containing a number of specific proposals. These included the appointment of a Minister for special areas, to whom the Commissioner would be responsible; the allotment to him of much greater funds and powers than the Commissioner at present possessed, including the power to vary by order the boundaries of the special areas,

\* See *THE ROUND TABLE*, No. 105, December 1936, p. 176.

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and to make grants up to 100 per cent., if necessary, of the cost of approved public works under local authorities; additional exchequer grants to reduce the public assistance rates in the special areas to the national average; the establishment in the areas of new state enterprises, particularly for arms manufacture and the extraction of oil from coal; financial assistance to the coal trade so as to equalise conditions between this country and its subsidised European competitors; great improvements in communications in the special areas, on grounds not only of commercial development but also of defence and tourist traffic; the raising of the school age, improved pensions for older workers, and drastic and immediate steps to raise standards of living by the provision of free meals and milk and by the revision of the present unemployment assistance regulations.

### III. THE RATE OF INTEREST

**I**N deciding its policy towards proposals made on behalf of the specially distressed areas and industries of the country, the Government has constantly to weigh up two sets of considerations. The first is financial, including not only the initial cost of measures of relief or subsidy, but also the prospect of continuing financial liability, direct or implied, for improvements and activities that might prove mere efforts to sweep back the Atlantic of economic change. The second set of considerations turns on the problem whether such assistance as the Government can give, within the means at its command and the proper scope of socialised activities, ought to be concentrated on the special areas or rather devoted to general economic expansion. This in turn raises the whole issue of the economic condition of the country, the likelihood of further general industrial recovery, and the possibility of a relapse into depression after a temporary boom.

These questions were directly raised, and emphatically

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answered, by Mr. J. M. Keynes in a notable series of articles in *The Times*.\* He believed, he said, that the country was approaching, or had reached, the point where there was not much advantage in applying to economic activity and employment a further general stimulus at the centre.

So long as surplus resources were widely diffused between industries and localities it was no great matter at what point in the economic structure the impulse of an increased demand was applied. But the evidence grows that . . . the economic structure is unfortunately rigid, and that (for example) building activity in the home counties is less effective than one might have hoped in decreasing unemployment in the distressed areas. It follows that the later stages of recovery require a different technique. To remedy the condition of the distressed areas, *ad hoc* measures are necessary. . . . We are in more need to-day of a rightly distributed demand than of a greater aggregate demand; and the Treasury would be entitled to economise elsewhere to compensate for the cost of special assistance to the distressed areas.

The general theme of the articles was the need for preventing a recurrence of the boom-slump cycle, in view of the fact that we would soon be approaching the peak of the curve and might, if no preventive steps were taken, expect a repetition of the downward slide. The prolongation of prosperity was essentially a matter of maintaining the level of new investment, but the longer recovery had lasted the more difficult did it become to keep new investment stable. A large part of the investment that occurred during a recovery was, in the nature of things, non-recurrent; another part became progressively less easy to sustain, because with each increase in the stock of wealth the profit to be expected from a further increase declined; and a third part might be checked by the disappointment of exaggerated expectations. Mr. Keynes repudiated the belief that dear money is a "natural" or "healthy" consequence of recovery. In the past it had

\* January 12, 13, and 14, 1937.

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certainly been a symptom of a boom, but it had no less certainly heralded a slump. "We must avoid it, therefore, as we would hell-fire". Nevertheless, a phase of the recovery might be at hand when it would be desirable to find other methods of temporarily damping down aggregate demand, with a view to stabilising subsequent activity at as high a level as possible.

Just as it was advisable for the Government to increase debt during the slump, so for the same reasons it was now advisable that they should incline to the opposite policy; hence the main part of the cost of armaments should be met out of taxation. Just as it was advisable (from our own point of view) to check imports and to take measures to improve the balance of trade during the slump, so it was now advisable to welcome imports even though they resulted in an adverse balance of trade.\* Just as it was advisable for local authorities to press on with capital expenditure during the slump, so it was now advisable that they should postpone whatever new enterprises could reasonably be held back. The promotion of public investment in such fields as building and transport and public utilities, at a later stage when private investment should be flagging, required long preparation in advance. Now was the time to appoint a board of public investment to prepare sound schemes against the time when they should be needed. So long as national productive resources were not fully employed, the rate of interest must be reduced to the figure that the new projects could afford. The Bank of England and the Treasury, said Mr. Keynes, had the power to hold down the long-term rate of interest to the required figure, "by the exercise of the moderation, the gradualness, and the discreet handling of

\* The excess of imports over exports in 1936 was £348 million, £1 million greater than in the previous year. It seems likely that this extra deficit was made up by increased invisible receipts, mainly shipping, earnings and dividends on investments in such industries as rubber, copper and tin, but that there was little or no margin, on balance, for fresh capital investment abroad.

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the market, of which they have shown themselves to be masters".

While Mr. Keynes's views have received a remarkably unanimous measure of endorsement from economists, the financial press, the heads of the great joint-stock banks and other responsible quarters, not everyone agrees that the authorities' power of financial control is so assured. It has been shown \* that if the advances of the London clearing banks rise in the course of 1937 to £1,000 million—roughly £130 million above the present level—they will require, not only the parallel advance in deposits that is normally to be expected, but also an increase of £15 million in their cash holdings; otherwise they must be forced to raise the long-term rate of interest by disposing of some £100 million of the government securities which they at present hold. Such an increase in bank cash the Bank of England and the Treasury certainly have it within their power to supply, but can they do so without generating unhealthy features of inflation, such as rapidly rising prices, which would be a handicap rather than a stimulus to the kind of investment that is most required? In any case, the price of government bonds has already been depressed by the prospects of rearmament finance. Not even those who agreed with Mr. Keynes on the need for paying for arms out of current revenue thought that a loan could be entirely avoided, but most people were surprised by the scale of borrowing actually thought necessary. Readers of *THE ROUND TABLE* who remembered the hint † that five years of rearmament might cost some £450 million above the level of 1935-36 estimates need not have shared that surprise. Mr. Chamberlain announced on February 11 that he would ask for power to borrow up to £400 million, spread over five years, the service to be charged against the defence votes. The following day, 2½ per cent. consols stood at 81, their post-slump peak having been 94.

\* *Economist*, January 23, 1937. † See No. 103, June 1936, p. 598.

# CANADA

## I. CANADA AND THE NEXT WAR

WITHIN the last twelve months the Canadian people have begun to find foreign policy a serious business, and one for which their national experience has done little to qualify them. The League of Nations, under whose *egis* the country took its place as an autonomous member of the international community, and whose effective operation would have removed the ominous problems now on the horizon, reveals an alarming impotence, and the ordered world of post-war expectations proves an unmapped wilderness. In these unwelcome circumstances, the responsibility which the nation so recently and so proudly achieved becomes something of a burden. It has become urgently desirable to define the Dominion's attitude in world politics; but the effort to do so encounters at every turn the conflict of old loyalties and new aspirations, and threatens to reopen a racial cleavage which the buoyancy of rapid progress had tended to close in mutual congratulation.

The bewilderment of the moment contrasts painfully with the optimistic confidence of the 'twenties. There has been a deflation in politics scarcely less marked than the economic depression; but, whereas economic confidence is returning, the slump in international politics descends towards its nadir.

The decade of 1920 to 1930 will stand in history as an era of boom in the growth of Canada. The Treaty of Versailles placed her formally among the adult nations, and successive Imperial Conferences struck off the last bonds of colonialism. The tempo was exhilarating. It was high

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time that a people of ten million souls, ranked already among the first ten commercial Powers and possessed of vast territory waiting to receive and to be further developed by the surplus of Europe's population, should have its voice in the councils of the world. Political theorists hailed release from parochialism, the opening of magnificent new horizons, the promise of new dignity in public life. Nothing comparable had happened since the great days of 1867, when confederation had bound together a scattering of isolated and struggling provinces in one broad Dominion.

Of course there were doubters. Canada was not without those plain-common-sense people who believe that war is a function of human nature and that organisation for its prevention is therefore sheer folly. There was, moreover, a school of British imperialists who found colonial status quite to their liking and thought that complete control of foreign political relations should be left in the strong and skilled hands of Great Britain. This craze for autonomy was being pushed too far. The Dominions had bitten off more than they could chew, and the effort at mastication and digestion might disrupt the Empire.

Opposition of this sort was strengthened by the abstention of the United States from the League itself and from its offshoot, the Permanent Court of International Justice. Not that Canadians had any fear of trouble in direct relations with their neighbour; that was a familiar realm in which they moved with confidence. But what if the country were called upon to take part in sanctions against a violator of the Covenant, and the United States insisted upon full trading rights? What if the offender were a Latin-American State, and Washington stood on the Monroe Doctrine against intervention? Worst of all, what if some aggrieved member appealed under Article 17 of the Covenant against the United States? Any one of those hypotheses might find Canada bound to participate in measures involving sharp conflict with the Power upon whose good

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will, more than upon anything else, her trade and her security depended.

Such possibilities urged caution. But that was not all. The closing years of the war had nearly torn the nation in two over the issue of conscription, and had left a large portion of the population, consisting chiefly of the French-Canadian bloc, unalterably opposed to participation in any foreign war. The Covenant contemplated military sanctions. Would not a call for a Canadian contingent to take part in joint operations against an aggressor inflame once more the bitter internal feud of 1917-1918?

And so the Governments of Canada, Conservative and Liberal, set themselves to the task of hedging her position about with reservations. They enjoyed the expansiveness of Geneva, holding out as an example to Europe Canada's treatment of the French minority and her century of peace with the United States; but they kept a wary eye on adventurous commitments to positive action. In the very first year of the League's life they strove for the repeal of Article 10, by which the members mutually undertook to preserve against external aggression their territorial integrity and political independence. Failing in this, they secured an interpretation, unanimous but for the vote of Persia, to the effect that no member need participate in military measures without specific consent of its Parliament in every case. In 1924, when the famous Protocol designed to bolster up the Covenant as an instrument for the prevention of war re-affirmed the obligation to take military action in specified circumstances, the Liberal Government of the day refused, without previous reference to Parliament, to ratify this reinforcing agreement. In 1932, a Conservative Government lent its hearty support to the policy of inaction in the Manchurian crisis. Finally, in 1935, though the new Liberal Government joined in economic sanctions against Italy, it played its part in rendering them futile by public declarations that Canada was in no way bound to follow them up with armed

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coercion; and, in order to fend off responsibility for the war that threatened, disowned the suggestion, made by the Canadian representative in the Committee of Eighteen, to add oil to the embargo.

So ended in weak ignominy a chapter that began in youthful enthusiasm. There is, of course, no want of excuse for Canada's lack of constancy. Hers was not the only Government that blew hot and cold on the League. How could she be expected to hold firm to the essential principles of the organisation when its leading members evaded or frankly disowned their manifest obligations? Could her policy do anything else but fluctuate according as the general support afforded to the "collective system" waxed or waned?

The truth, however, is that in some important matters Canada waited for no lead, but herself took the initiative. In her attack on Article 10, and her insistence on the right to decide in each case as it should arise whether or not to go to the support of a threatened member, she was in the forefront of those who strove to weaken the collective guarantee. In her sharp opposition to the proposal—made, ironically enough, by Italy—that the League should study the distribution of raw materials, she set her veto upon the principle of peaceful change. Her attitude throughout has been that of one desirous of collecting benefits without assuming risks.

Against this record supporters of the collective system set the special opportunity and the use that might have been made of it. Canada's remoteness from the immediate dangers besetting so many of the States of Europe, the abundance of her possessions, that very freedom from any fixed mode of diplomatic thought and practice which in an unorganised world would have meant weakness, all of these accidents of geography and history should, according to the internationalists, have made it possible for her to think out calmly and then to follow firmly the rules and standards of conduct implied in the new order. Such a

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course might have entailed risks and required courage. But the risks could hardly have been greater than those involved in the chaotic scramble of power politics, which is the inevitable alternative to a collective system. As for courage, she failed, along with so many of her fellow members, to realise that the creative quest of peace, no less than the destructive art of war, demands that virtue in full measure.

However that may be, there is no escaping the conclusion that Canada must accept a share of responsibility for the failure that has produced her present quandary. Hitherto, in spite of all the weakening reservations that she initiated or approved, she has nursed the hope that the League, Locarno and the Pact of Paris would ward off the type of crisis that would require swift and clear decision as to how far she is prepared to back the Commonwealth or the Covenant. Now, on the contrary, everyone knows that such a crisis may confront her from one day to another, and it has become a matter of immediate personal interest to know what the country is most likely to do about it. Will Canada again identify herself for better or worse with the fortunes of Great Britain? Will she attempt to cut herself off from Europe and, stifling old sentiment, find her sole directives in her North American situation? Will she aim at the cloistered isolation that has been recently praised by certain leaders of French-Canadian thought? Will she join, this time with knowledge and acceptance of all its implications, in any serious movement that may develop for re-establishing the collective system?

The Canadian people includes backers of all four alternatives, and no one can say with certainty which of them would rally a majority. But political commentators throughout the Dominion are now constantly trying to define the four groups of opinion, and to analyse the factors tending for and against each group.

At the British Commonwealth Relations Conference held at Toronto in 1933, there appeared to be a pretty

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general conviction that the continuance of Commonwealth unity depended upon the maintenance of an international organisation capable of keeping peace. Since that date, this has become more or less an axiom for political theorists in Canada. The reason given is that certain of the Dominions would probably, in the event of a British war in which they did not feel themselves directly concerned, demand neutrality. It had long been theoretically conceded that no Dominion was bound to participate actively in hostilities in which the Mother Country was involved. But "passive belligerency" and complete neutrality are different things, and the latter would appear possible only if the whole constitutional bond with Great Britain were severed. On this reasoning, therefore, any major war involves the risk of splitting up the Commonwealth.

There are still Canadians who put loyalty to the Mother Country above every other political affiliation. But both the number and the influence of these imperialists, so called, have diminished since 1914 in proportion to other elements and other forces in the population. On all sides one hears it said that the enthusiastic rallying of that fateful year will not repeat itself. The burdens of the war still weigh crushingly, and the disillusionment of an otherwise barren victory has been accentuated by the bankruptcy of the institution that alone, among its products, promised lasting benefit. More and more English-speaking citizens add their voices to those of the French-Canadian bloc, which forms almost thirty per cent. of the population and which clamours with something like unanimity for total abstention from all foreign wars. Whether or not they know it, the members of this composite group are asking for secession from the Commonwealth. Their further protest against any commitment to military action on behalf of an organised society of nations is tantamount to a refusal to participate in an effective League. Their aim would therefore appear to be pretty complete isolation.

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A second group proclaims itself sick of Europe with its eternal strife but, instead of walling the country off from the rest of the world, would welcome closer intercourse and more active co-operation with the other nations of this hemisphere. Recently such a policy has been enlisting an increased number of adherents. While still too vague and disparate to be called a movement, the trend is encouraged by a palpable change in sentiment towards the United States. For some time past there has been distinctly less of that superficial anti-American irritation which, in spite of excellent official relations, was so apparent a few years ago. Some acute causes of friction have disappeared or lost their virulence. The end of prohibition brought cessation of the rum-running incidents; the judgments of the Supreme Court and the care taken to secure their execution, assisted no doubt by the more pressing pre-occupations of the depression, have taken the sting out of the Chicago water-diversion grievance. The depression itself, by deflating the all-confident, all-booming commercial supremacy of the United States, and exhibiting that country in the throes of financial and industrial panic, weakened the familiar inferiority complex and generated more fellow-feeling. Anyone who doubts the change should compare the Canadian tempest over the reciprocity pact of 1911 with the gratification that greeted the similar agreement of 1936, and, with that introduction, should note the sympathetic interest displayed by the press in President Roosevelt's plan of pan-American peace.

The last group is made up of those people, not all of them identified with the despised class of idealists, who believe that Canada must inevitably be involved, late or soon, in any general war in which Great Britain is a belligerent. According to this school, one of two things must happen if and when such a war breaks out. British sentiment in the country might still be strong enough to force active assistance. But, if this should not prove to be the case, the injuries to the trade, property and persons of Canadians,

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which protracted hostilities would necessarily entail, would end by reinforcing British sentiment to the point where neutrality would become unendurable.

Given these premisses, there is only one logical conclusion, namely, that this country must work heart and soul for a League strong enough to prevent war. Unhappily such counsel, sound as it may be for the long term, offers little help in the immediate predicament. The great Powers are embarked on a course that appears to mean war. Can any human agency turn their energy at this juncture to the organisation of a stronger peace? Must not we resign ourselves to another war before reason can reassert itself? One hope is held out by the optimists, and that has a forlorn aspect. It is that the United States may avert the threatening world disaster by summoning a conference of the potential belligerents at Washington.

In the wide intervals between these well-defined bodies of opinion stand multitudes who have done little or no thinking on foreign policy or whose thinking has led to no definite conclusion. Among these would be found many pious souls who for years have been preaching the League of Nations, with little knowledge but much emotion, but who, when the question of supplying it with the physical force necessary to carry out its decisions seemed likely to be raised, discovered suddenly that they had never believed in any force other than "public opinion". Angry as he may be, the idealist will usually concede that the Government, when it retreated last December from unpleasant complications in the Ethiopian crisis, probably had the mass of the people behind it.

There is little means of gauging how the nation stands. Straw votes of the extent now common in the United States are still unknown in Canada. Some talk has been heard of a peace-ballot like that organised with such notable results in Great Britain. But the League of Nations Society in Canada has not yet the confidence, or the financial resources, to launch such a plebiscite. A strong leader might impose

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upon the country a clear-cut policy of isolation, of North-Americanism, or of internationalism. But the risk to party fortunes that such a move would carry with it is sufficient to deter any contemporary politician from making the venture.

One possible test remains. The National Government in England has believed itself forced into a vast programme of rearmament. Again, as in the period from 1909 to 1914, the question of assistance by the Dominions is being raised. The parliamentary debate which any proposal to contribute Canadian money, ships or troops must occasion at Ottawa may compel the people to declare itself. If that does not happen, or if the voice is not decisive, the outbreak of war, with its imperious demand for instant action, will try, more sorely than anything has tried it yet, the cohesive strength of Canada's federal nationhood.

### II. REARMAMENT

IN Canada the problem of defence was virtually in abeyance from the end of the war until the present year, when it has again been brought into the forefront of public discussion. The Canadian people were exceedingly proud of the war-time exploits of their oversea army; when the war was over, however, they were content to see it demobilised and only a small permanent force retained. Largely through the enthusiasm of public-spirited officers who had served in the war, the different militia corps were kept in being, but when economies had to be made during the depression in the votes for the Department of National Defence many militia units had a very difficult time. The grants available for equipment and training were small, and only the generosity of the richer officers in supplementing them enabled the units to survive as efficient cadres. The strength of the permanent military and naval forces was also reduced, and Canada could justifiably claim that she had carried the process of disarmament further than any other civilised country, except perhaps Denmark.

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The sense of security derived from her geographical position prevented any uneasiness on this score. As the skies darkened in Europe, however, there gradually developed, at least in English-speaking Canada, a serious anxiety about Canada's lack of any but trivial armaments, and in different quarters voices were heard pointing out that her defence forces were sadly incommensurate with her obligations as a partner in the British Commonwealth and a member of the League of Nations. The controversy that accordingly began last summer is still being carried on in the press and in public and private debate.

It inevitably divides along the lines of cleavage on general international policy that have been described elsewhere in this article. At bottom, the isolationists rely for Canada's defence upon her geographical position and upon the survival of British supremacy at sea. The anti-isolationists are divided roughly into two camps on defence policy. They are in general agreement upon four premisses: that the possibility of war with the United States must be left out of account in the framing of any Canadian defence programme; that revolutionary inventions, which have overcome the old barriers of distance and time, have impaired the special security conferred upon Canada by her geographical position; that such an abundance of natural resources, now being exploited by a comparatively small and scattered population, constitutes a tempting prize for any of the aggressive "unsatisfied" Powers; and that Canada's obligations as a member both of the British Commonwealth and of the League of Nations demand that she should make an adequate contribution to the armed forces necessary to uphold the principles and ideals for which those two organisations stand. They agree that, while other nations are feverishly adding to their armaments and preparing for the contingency of another great war, Canada simply cannot afford to be without effective modern armaments, at least strong enough to sustain her neutrality.

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When, however, the anti-isolationist school begins to consider a defence programme for Canada a cleavage of both opinion and aim emerges. One element contends that Canada's defence policy should be framed with the sole objective of providing such strong defences for her own territory that no aggressor nation could hope to invade it with success. These people would spend money on heavy coast batteries, forts, destroyers, submarines, minelaying equipment and other requirements for coastal defence, and would keep the naval, military and air forces at a strength that would allow them by swift concentration to frustrate the plans of any attacking enemy. But they rule out the idea of sending another Canadian expeditionary force overseas, and would make no preparations for any such enterprise. They argue that any attempt to enforce conscription would split the nation in two and must be dismissed as unthinkable unless actual invasion was imminent; that, even if a large volunteer force for oversea service could be raised, the problem of its transportation to the scene of hostilities would bristle with difficulties, and that as casualty lists began to be published public opinion would revolt and prevent the forwarding of reinforcements. They would be ready to give Great Britain whatever financial assistance could be spared and to make generous contributions of food supplies and munitions, but they would subject Canadian participation in any oversea war to definite limitations. If Canada were in a position to guarantee the security of her own coasts, they argue, she would be leaving Great Britain free to concentrate her energies upon her European or other commitments.

This attitude is vigorously challenged by an influential body of opinion in the English-speaking provinces of Canada, which agrees with Mr. Meighen, the Conservative leader in the Senate, that there cannot profitably be any separatist policy of defence for Canada. Pointing out that after the opening weeks of the world war the security of Canadian territory did not give the British Government

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a moment's concern, they argue that there is one tremendous insurance against any invasion of Canada by a hostile Power—the complete certainty that it would immediately find ranged against it all the armed might and financial and economic resources of the United States. They claim that accordingly the contingency of an invasion is so remote as not to be worth considering as the basis for a defence programme. They insist that, *inasmuch* as the preservation of Canada's political integrity is inextricably bound up with the security and integrity of the British Commonwealth, the only sane and honourable Canadian defence policy is to participate, without any sacrifice of hard-won autonomy, in some co-operative, all-Commonwealth scheme of defence.

Mr. Mackenzie King and his Cabinet did not fail to note the growing popular interest in the problem of defence, but they postponed serious consideration of it until the Prime Minister returned from his visit to Geneva and London, during which he had had opportunities of studying the European situation at first hand and of becoming apprised of the views of the British Government. On his return the problem was exhaustively discussed at a series of Cabinet meetings. According to well-authenticated reports, an ambitious programme of rearmament, produced by the Department of National Defence, was rejected by the Cabinet after careful consideration in favour of a more modest expansion. The Ministry appears to favour a policy of adequate defence for the coasts of Canada but no more extensive commitments at present. Mr. Ian Mackenzie, who has proved himself a very energetic Minister of National Defence, forecast such a policy in a speech at Victoria, B.C., on October 7. He recalled the formulæ about Imperial defence adopted by the Imperial Conference of 1923 and reaffirmed in 1926, to the effect that, while it was for the several Empire parliaments to decide the nature and extent of national armament, the primary responsibility of each portion of the Empire was

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for its own local defence. Mr. Mackenzie declared that the Government's defence policy was based upon the following considerations: the general interest of Canada, the security and welfare of the Canadian people and their homes, and due regard to any obligations Canada had incurred.

The details of that policy were revealed when the estimates for 1937-38 were tabled on January 18. The Department of National Defence vote totalled \$35 million, an increase of roughly \$7½ million over the previous year's vote. The latter, moreover, included items totalling \$4½ million for unemployment relief camps and civil aviation, which have now been removed from the jurisdiction of the Department; the actual increase in its vote is no less than \$11,600,000, which follows an increase of \$5 million a year ago. The estimates for the different services are as follows:

	1937-38.	Approximate increase.
	\$	\$
Militia services . . .	17,850,428	4,550,000
Naval services . . .	4,486,610	1,350,000
Air services . . .	11,752,650	5,500,000

The greater proportion of the additional money is to be devoted to strengthening the air force and improving the coastal defences. The air force is to acquire 102 new planes of different types, and special efforts will be made to have as many as possible of them manufactured in Canada. These reinforcements will bring its strength up to 284 machines, of which, however, a number are either obsolete or obsolescent. The personnel of the air force is also to be augmented by 48 officers and 565 men, raising it to a total of 193 officers and 1,498 men, while the non-permanent air force is to be increased by 21 officers and 280 men to a total of 118 officers and 946 men.

The Canadian navy will continue to keep in commission four destroyers and auxiliary vessels, but it will be stronger

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through the replacement of two obsolete destroyers by others of a more modern type recently purchased from the British Government. The vote for 1937-38 also provides for the building of four minesweepers at a cost of \$750,000. Furthermore, the personnel of the navy is to be increased by 373 to a total of 1,339 officers and men, and that of the Royal Canadian Naval Volunteer Reserve by 161 to a total of 1,212. There is to be a small increase of the permanent army, making its total strength 465 officers and 3,760 other ranks. Recently the territorial or non-permanent militia, as it is styled in Canada, has been subjected to drastic reorganisation, which has resulted in the elimination of a number of inefficient or merely paper units. Provision is now to be made for the training of 46,340 men of all ranks for periods of ten, twelve or fourteen days. The additional equipment to be provided for both the permanent army and the non-permanent militia will include a number of coastal defence guns of large calibre. New sites for coastal batteries are to be developed, and anti-aircraft guns and other defensive equipment secured. A considerable number of militia units are being mechanised.

On the whole these plans command public approval. Imperialists may regard them as inadequate, but only a coastal defence policy could have won the support of most of the French-Canadian Liberals. (There recently appeared, however, in *L'Action Française*, a paper of extreme nationalist views, a surprising editorial favouring an increase of Canada's armaments on the ground that it might be necessary as a safeguard against disturbing influences now visible in the United States.) The country will be satisfied to let the evolution of any larger policy await, as the Ministry obviously intends, developments in the international situation.

Canada,  
January 1937.

# AUSTRALIA

## I. POLITICAL CHRONICLE

THERE have not been lacking matters of interest and importance in the Commonwealth during the past three months. The Commonwealth budget has been well received, and criticism of it in Parliament suggested the forced discharge of the duties of an Opposition rather than the expression of genuine disapproval. A feature of the budget was the proposed large increase of defence expenditure, which is to amount to £8,809,107 from all sources in the current year. The New South Wales budget, which also reflected the improved local economic conditions, will be balanced this year for the first time in seven years.

General regret has been manifest at the death of Admiral Sir David Murray Anderson, Governor of New South Wales and a former Governor of Newfoundland. He contracted a severe illness on the voyage to Australia, and was in hospital in Perth for some weeks. He afterwards carried out his duties, though obviously a sick man, in a manner which commanded widespread admiration, and was splendidly assisted by Lady Anderson.

Much public interest has been created by the exclusion of a Mrs. M. Freer, a British subject, from the Commonwealth by the Minister for the Interior, and questions have been asked in the House of Representatives in an endeavour to elicit the reason for her exclusion. The questioners obtained little satisfaction, but it is generally thought that the Minister, in subjecting Mrs. Freer to a dictation test in Italian, which she could not pass, and thereupon declaring her to be a prohibited immigrant, acted unwisely in his

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administration of the Immigration Act; for his action appears to have been based on *ex parte* representations, made on behalf of people in Australia who for private reasons were anxious to prevent Mrs. Freer from landing. That the Minister's action was within the powers he may lawfully exercise under the Immigration Act was determined by *habeas corpus* proceedings in the High Court. It is the propriety, not the legality, of the action that has been criticised.

### *Air Mails and Civil Aviation.*

The negotiations over the British-Australian air-mail contract have been unusually prolonged. Although the ultimate form of the agreement has still to be determined, most of the major points under discussion between the two Governments are known to have been settled.\* Australia will retain control over the Singapore-Sydney section of the route. The Commonwealth Government from the outset considered that such control was essential, and it has been difficult to deny its claims in this respect, though the reasons originally advanced † were not convincing. The efficient working of the last section by Quantas Empire Airways, subject to the control and supervision of the Federal Ministry, has reflected credit on those responsible. During the past 18 months, late air mails from Great Britain have been at least as numerous as those on time, and public opinion in the Commonwealth is inclined to be critical towards the service, particularly the section west of Singapore, on which most of the delays have occurred.

There are to be two mails per week and some surcharge, probably 5d per oz, on mails going from Australia to Great Britain, but this may be reduced or abandoned altogether if the expected large increase of air mails

\* The Commonwealth Prime Minister announced the terms of the agreement on February 8; they follow closely the lines forecast in this article.—*Editor.*

† See *THE ROUND TABLE*, No. 103, June 1936, p. 627.

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eventuates and thus justifies the application of the ordinary postal rates. The duration of the contract is 15 years, though it will be reviewed every three years and the Commonwealth will have the right to withdraw if it does not consider the service to be satisfactory. The issue of flying-boats *versus* land planes has been left to the experts to determine, though it is expected that flying-boats will be employed eventually, if not at the commencement of the service, which is now scheduled for January 1938. Under the modified agreement, the Australian subsidy will probably be £150,000 per annum instead of the £93,000 payable at present. The financial obligations of the Commonwealth Government are not likely to be as heavy as was at one time expected, on account of the increased and increasing popularity of the air-mail services. There is thus every ground for assuming that the revised contract will give satisfaction to all parts of the Empire concerned.

In November the High Court gave a decision of great significance concerning the control of civil aviation in the Commonwealth. The Court allowed an appeal by an air pilot against whom action had been taken for an alleged breach of air regulations made by the Commonwealth Civil Aviation Department. It had for long been held by constitutional authorities that the Federal Parliament had no power under which it could legislate for the complete control of civil aviation. As far back as 1920 a conference of Premiers decided that it was desirable to confer the control of air navigation and aircraft on the Commonwealth, but as some of the states were inclined to withhold certain of their powers in this respect nothing effective was done. The Royal Commission on the Constitution, in its report in 1929, expressly recommended that specific power should be given to the Commonwealth to legislate in respect of all matters affecting air navigation and aircraft. Its recommendation, however, was not put into effect.

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The matter has now been brought to a head by the High Court's decision. This limits the power of the Commonwealth to pass legislation for the control of civil aviation (a) to inter-state air navigation and matters relating thereto, (b) to civil aviation in Commonwealth territories, and (c) to measures necessary to implement the International Air Convention, to which the Commonwealth is a party; but in this case the legislation must be strictly confined within the terms of the Convention. The need for giving the Commonwealth wider powers is instanced by the fact that the terms of the Air Convention relating to the regulation of aircraft apply only to aircraft engaged internationally, and that therefore the Commonwealth would appear to have at present no control over aircraft engaged in intra-state activities. The Government has decided to ask the people immediately for full power to enable the Commonwealth Parliament to legislate in regard to air navigation and aircraft. The referendum on this question will be held in conjunction with the marketing referendum early in 1937.

Incidentally, two of the judges expressed the opinion that the Commonwealth has power to enter into any international agreement and to pass legislation to secure the carrying out of such an agreement, even though its subject matter is not otherwise within the scope of the Commonwealth's legislative power. This view is based upon a liberal interpretation of the Commonwealth's powers in regard to "external affairs". It follows and develops an opinion of the late Mr. Justice Higgins. Although the opinions so far expressed by some judges on this issue are *obiter dicta* only, they indicate a trend of judicial opinion which if adopted by the High Court would extend the functions of the Commonwealth in a manner undreamed of by the founders of the constitution.

Important consequences would follow, especially as specific mention was made of labour conditions. This term may be held to include the length of the working

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week, a subject generally considered to be outside the scope of the legislative powers of the Commonwealth.

### *Trade Agreements.*

The Commonwealth Government has recently concluded trade agreements with Belgium, Czecho-Slovakia, France and the Union of South Africa. These are subject to parliamentary ratification, so far as Australia is concerned, but it is not expected that there will be any difficulties in that regard.

Negotiations have been in progress for some months between the respective Governments, and the public certainly felt that it was time some trade agreements were made in the interest of Australian oversea trade. It has been thought in some circles that the Federal Ministry has been actuated by an ultra-imperial commercial policy, and that foreign markets of considerable size and importance for some Australian exports were in danger of being lost. This view appeared to be supported by the attitude of the Government towards trade with Japan, and the new agreements will be welcomed by those who favour a liberalising of the Government's approach to the problems of oversea trade. Indeed, in some respects Sir Henry Gullett's speech announcing the agreements indicated a partial reversal of his form during the winter. He made it clear that the need for holding as many oversea markets as possible for Australian wool was fully realised, perhaps because the Ministry's policy in regard to Japan had meant the complete loss of Japanese competition at the Australian wool sales.

Imports of Australian products into Belgium totalled £4,834,596 \* in 1934-35, of which £4,346,526 represented wool. For the same period the comparable figures for Czecho-Slovakia were £83,190 and £83,043. Imports into Australia from Belgium were £477,864 and from Czecho-Slovakia £353,796. The French figures show imports

\* Values in Australian currency unless otherwise stated.

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from Australia equivalent to £8,900,000 sterling, and exports to Australia equivalent to £600,000 sterling—a balance of trade of over 14 to 1 in favour of Australia. The difference between the French and Australian statistics is due to the inclusion of indirect purchases of Australian wool by France in the French figures.

Thus the trade position between Australia and these three countries varies enormously. The balance of trade between Australia and Belgium has been in Australia's favour during the last four years to the extent of 11 to 1, whereas Czecho-Slovakia has had with Australia a favourable balance of 3 to 1 during the last three years. The Commonwealth has made concessions in duties and/or prime in a large number of items by reducing the margin between the British preferential tariff rates and the general tariff rates previously applicable. The Government estimate that the prime concessions will amount to more than £100,000 annually. In some instances both preferential and general rates of duty and prime have been reduced.

Australia does not appear likely to gain any spectacular immediate benefit in her export trade as the result of the three agreements; but her existing market for wool is more assured, and a market for Australian apples may be developed in Czecho-Slovakia, and for meat and barley in Belgium. The treaty with France should help to increase French exports to Australia, but increased French wool purchases from Australia in the future are likely to be caused by more fundamental facts than the trade treaty. Australia nevertheless should benefit from the French agreement, since her exports have been subject to the maximum French duty in the absence of a commercial treaty between the two countries, and since some special French retaliatory duties on butter and wheat have been abolished. France has also guaranteed Australia satisfactory quotas for barley, pears and apples. The vexed question of wine appellation has been settled in a manner

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satisfactory to Australia. The French Government will not object to the use of names of French districts upon Australian wine.

It is understood that the British Government was consulted before the conclusion of the negotiations and agreed to some modifications of the application of the Ottawa agreement. The agreement has materially hindered the efforts of the Federal Government to conclude trade treaties with foreign countries, and the action of the British Government is taken as indicating a trend towards freer trade between the Empire and the rest of the world. All the recent agreements contain a form of the most-favoured-nation clause, and the agreement with South Africa is simply an exchange of letters agreeing to most-favoured-nation treatment.

Some criticism has been directed at the Government for ignoring the Tariff Board in the alteration of duties necessary under the trade diversion policy, Professor L. F. Giblin being the most distinguished of the critics.\* The Government, however, has retorted that at the last general election the Prime Minister in his policy speech specifically proposed the negotiation of overseas trade treaties and consequent alteration in duties independently of Tariff Board enquiries. There might be considerable difficulties in the way of arranging bilateral trade agreements, or of making some fundamental change in trade policy, in which the concessions given or penalties imposed were only relative to the general or British preferential tariff, if strict adherence to Tariff Board recommendations were made imperative. In regard to one item (tobacco) the Government went directly contrary to the Board's recommendation, and there is undoubtedly a danger that under its trade policy the expert and impartial consideration of the Tariff Board will have gradually to yield to inexpert and political considerations.

\* See *THE ROUND TABLE*, No. 103, December 1936, p. 211.

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### *The Commonwealth Grants Commission.*

The Grants Commission recently presented its third report, and its recommendations regarding the federal grants for 1936-37 that should be made to the claimant states of South Australia, Western Australia and Tasmania have been acted upon without amendment. A recent number of *THE ROUND TABLE* \* contained a short review of the work of the Grants Commission and of the broad principles that governed its recommendations in the first and second reports. In the third report there has been no fundamental change in those principles.

The grants proposed for the current financial year, compared with those for the last year, are as follows :

	1935-36.	1936-37.	Per Capita.
South Australia	£1,500,000	£1,330,000	£2 5s. 4d
Western Australia	£ 800,000	£ 500,000	£1 2s. 3d
Tasmania	£ 450,000	£ 600,000	£2 12s. od

Since the statistics for 1934-35 form the basis of the Commission's calculations, there is a time-lag in the application of the remedial financial measures. This is not thought to be of material consequence. But the Commission added £44,000 to this year's grant to Western Australia as a special allowance on account of the effects of the drought on that state's financial position.

In its first report the Commission based its recommendations on the financial needs of the governments of the claimant states, and rejected the widely held theory, which was roughly applied before the Commission was appointed in 1933, that the proper basis on which federal financial aid should be given was the extent to which the financial disabilities of the states were due to federation and to the effect of federal policy. In its third report the Commission strongly adheres to its previous view. Whether, however, the Commission has succeeded in

\* No. 102, March 1936, pp. 402 *et seq.*

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formulating the best method of assisting the less prosperous states is still open to some doubt. A suggestion of which more may be heard is that financial and economic inequalities between the states could be corrected on a more or less permanent basis if the proceeds of federal direct taxation were shared by the states by reference to relative prosperity, population, and area. Those states which are below the average of prosperity, as shown by the federal income tax assessment plus wage payments, would receive larger shares, while there would be corresponding deductions for states showing prosperity above the average.

The work that the Grants Commission is doing is of great value to the Australian federation and its industry has been widely praised, even by those who have disagreed with some of its conclusions.

### II. LAND SETTLEMENT IN AUSTRALIA

HERE is a certain amount of demand within Australia for new schemes of land settlement. The demand comes, in the main, from political groups, and from those who, having built up good properties for themselves, want to acquire with government aid other properties for their sons. There is also a demand from patriotic people in the cities, who, believing that the adequate defence of the Commonwealth calls for a much larger population, think that the increase should be in the rural industries, and from those who believe that the healthy nation is the one that has a large proportion of its people on the land.

In common with that of most other countries, the population of Australia tends to increase in metropolitan and urban centres and to decrease in rural districts. At the 1891 census, the rural population of New South Wales (which has the largest population of all the states) was 33.8 per cent. of the whole. By 1933, the percentage had dropped to 22.8 per cent., despite the fact that the economic

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depression had checked the movement from the land to the cities and had, indeed, started a temporary movement in the opposite direction. Then, too, with the improvement in methods of cultivation, the development of scientific knowledge, and the great advances in mechanisation, fewer people are needed to produce the same crops as in the past. The demand of the cities and towns for foodstuffs and wool is easily satisfied, and in most rural industries there is a surplus for export. The great problems are to produce those surpluses at a level of costs that will yield profits when the surpluses are sold overseas, and to develop a larger demand in the oversea markets. Expansion in most of Australia's rural industries can come about only if there is expansion in oversea demand.

There is no question whatever as to Australia's ability enormously to increase her output of primary products, but if an increase is justified by demand it should come from a better use of the lands now in occupation, rather than from an extension of the area. There are no great empty spaces waiting to be settled; great empty spaces there are, to be sure, but they are in areas that have insufficient rainfall for profitable occupation. The last few years have shown that many wheat-growers have pushed out too far; great sums of public money have been spent on establishing them in the low rainfall areas, and, as a result of their poor harvests, further sums have been spent on keeping them there. When their failures were evident, a wise policy might have been to move them to land within the area of good rainfall, even though that would have involved the purchase and subdivision of large properties now devoted to the pasturing of sheep.

That, broadly, is the position. The land that is worth working is all occupied, but much of it could be worked more intensively. The claim of those who demand government purchase and subdivision of large estates, for sale on easy terms, is that a large property, now owned by one man and worked with a staff, could provide a living

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for six, ten or a dozen owners and their families if it were subdivided. The claim is sound in theory, and sometimes in practice, but there are many provisos. As a method of increasing the number of people on the land little can be said against it, but unless the new owners bring to their tasks sound knowledge and adequate capital the six, ten or twelve families may produce less from the area than the previous owner, and the produce, especially if it be wool, may be of poorer quality. When drought comes—as it does with certainty, if not regularity—the sheep may die, for the new owners may lack the capital to buy feed. Too often weeds may grow, for the new owners may lack the means to employ the labour necessary to keep them in check. Too often the wool may deteriorate in quality because the new owners may lack both the wisdom to improve their sheep by selection and the capital to buy good rams. To replace an efficient grazier who has regularly paid his taxes—large graziers pay large taxes—with half a dozen men who make incomes so small that the aggregate taxation is as nothing in comparison, is beginning to look to governments like bad business, and many politicians (particularly Labour politicians) who were once ardent advocates of closer settlement now have grave doubts about its wisdom.

The idea that a man of limited capital can go on the land and make money easily is no truer in Australia than anywhere else. There are exceptions, of course; in the days when governments were selling crown lands in the good rainfall areas at low prices—often as low as half-a-crown an acre—many competent men, starting with little capital, succeeded in establishing profitable properties. In those days, men started in sheep and wheat, with little more than their zeal and vigour, and reaped great rewards. The rare man might do it to-day—the rare man *will* do it to-day—but conditions have changed. Since the early days land has risen in value forty or fifty fold. It calls for £6,000 to acquire a property and stock it with a

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thousand sheep to-day, and, whether governments or rural banks or the vendors provide the money, the interest will be a charge against the year's business. The exceptional man will make a satisfactory income for himself after meeting his expenses. Most men, however, will get very little more than the interest that £6,000 would have earned if invested at 4½ per cent.

The writers of this article have before them the balance sheets of a property of 1,000 acres purchased in 1928 at £8 per acre. There were, at last balance, 1,200 sheep and 800 lambs on the place and they were worth £1,800. The total capital investment is £8,800. After six years' occupation, and four years of top-dressing of pastures with superphosphate, the gross revenue last year was £1,024. The expenses (allowing the owner £3 a week for living) were £1,031. The owner is a man of long experience and good judgment, and has connections that often enable him to make a deal in sheep that might not come the way of men without such connections.

A great variation in the prices of the main products of the land is one of the causes of failure to make profits. The average price of greasy wool during the three years 1911 to 1913 was 8½d per lb, and those who were established on their properties at that time had purchased them at, and had adjusted their operations to, such a level of returns. By 1925 the value of wool had doubled, and many men went into the industry on the basis of an average price of 16½d per lb. The average price stayed around that figure for about four years, and the whole economy of the industry was adjusted to it. In 1929-30 the average was down to 10½d. From 1930 till 1933—another four years' period—it was around 8½d. There was then little demand for new schemes of settlement, but in 1933-34 the average price rose to 15½d per lb, and a new interest was taken in the subdivision of properties. A drop to 9½d per lb came in 1934-35, but happily there was a rise of 45 per cent. in 1935-36.

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There is a similar story to be told of wheat, but it can be told in a different form. Since 1911 the average price of wheat has run all the way from 7s. 3d per bushel in 1920-21 to 1s. 7d per bushel in 1930-31. Governments, both state and federal, have been under the necessity of providing bounties and subsidies to wheat-growers in four recent years. In 1931-32 the total bounty was 4½d per bushel; in 1932-33 it was 3d; in 1933-34 it was nearly 4d, and in 1934-35, about 5½d per bushel. There should be no call for a bounty this year.

Only by adopting various schemes for establishing a local price in excess of the world parity have governments been able to keep great numbers of dairy farmers on the land. There has been a wide range in the average price of butter obtainable by the farmers, from 2s. in 1920-21 down to 8d or thereabouts. Many bought their properties, or incurred debts for improvements or other reasons, in the period of high prices.

The Government of New South Wales has recently announced a new plan for encouraging closer settlement of pastoral properties. In making the announcement, the Premier (Mr. Stevens) said that the owners of several large properties had intimated their willingness to subdivide under this new plan. The Commissioners of the Rural Bank will advance up to 66½ per cent. of the cost of the land from the bank funds, and government will supplement such advances by a further 13½ per cent., thus leaving the purchaser to find only 20 per cent. of the cost of the property. The loans will be repayable over a period of up to 31 years. Interest will be at current rates. The plan has been devised to increase the number of land-owners engaged in sheep-raising, and there is no sign that the government will assist in the subdivision of properties for wheat-growing (unless it be in combination with sheep-raising), dairying or fruit-growing.

The view of most men in a position to know the problems of land settlement is that it would have been better

## LAND SETTLEMENT IN AUSTRALIA

for the Premier to allow settlement to proceed in the natural way. Experience is a better guide than public clamour, and experience is against putting men on the land who have to borrow most of the capital they put into their properties. If governments must have land settlement schemes it would profit them to look into the question of assisting existing settlers, where necessary, to make a success of properties they are in process of acquiring from the Crown. Governments might do this by writing down excess values, and by letting the men who have shown themselves competent take over adjoining (or other) properties from men who have not shown themselves competent. Far too many Australian "closer settlers" are on properties that are too small to enable them to make a living.

It would be misleading to end this rather pessimistic statement of the position without saying that land settlement will go on in Australia despite the difficulties here indicated. Men who want land will find a way to acquire it; people from overseas with the will to succeed, and the capital with which to back up their determination, will go on the land and prosper in the future, as they have done in the past; young men and boys, in hundreds every year, will be absorbed into the various rural industries; the rural population will increase with scientific farming. The era of the pioneer is passing and the era of scientific working and rural efficiency is coming. This means that the now occupied land will be worked more intensively; but the new technique calls for more capital and more labour and, as more people are employed, living conditions will become better for all. That is the future of land settlement as Australia sees it, but it is a future dependent on her finding oversea buyers for her exportable surpluses.

Australia,  
January 1937.

# SOUTH AFRICA

## I. THE POLITICAL SITUATION

PARLIAMENT was opened this year on January 8, three weeks earlier than usual. The Prime Minister, who is to attend the Coronation and the Imperial Conference with two of his colleagues, is due to leave Capetown in mid-April. It is desired to complete most of the work of the session before he sails, and it is hoped that the prorogation will take place early in May. Having regard to the Government's legislative programme and the temper of the main Opposition, this latter hope seems to be unduly optimistic.

The recess has been characterised by a great deal of political activity. General elections have been fought for all four provincial councils, and the approach of the parliamentary general election, which must take place in 1938 at latest, has added zest to the fight. The results of the provincial elections in the Transvaal and the Orange Free State were recorded in the last issue of *THE ROUND TABLE*.\* In Natal, the Dominion party did better than in the Transvaal, but much less well than it had expected to do in this most British of the provinces; and while here, too, Labour made some headway, the United party retained a comfortable majority over all-comers. In the Cape Province, while the result also disclosed a majority for the supporters of the Government, this was accompanied by a very considerable increase in the Nationalist poll and representation. In this province at least the Government's hold on public support has definitely been weakened.

If the provincial elections are regarded as a whole, they

\* No. 105, December 1936, pp. 212-14.

## THE POLITICAL SITUATION

reveal that the Government is still able to face a parliamentary general election to-day with the assurance of securing a substantial majority; that the Dominion party has deeply disappointed the hopes of those who launched it, and shows little promise of becoming an effective anti-Government force; that Labour, hampered as it is by disunity and ineffective leadership, has made nothing like the progress that might have been anticipated; and that a by no means negligible threat to the Government's position is presented by the Nationalists, certainly in the Cape, to a smaller extent in the Free State, and in time doubtless in the Transvaal.

The strength, present and potential, of the Nationalist party lies in its appeal to popular sentiment. In breaking away from the United party as launched by Generals Hertzog and Smuts, it sought to capitalize anti-British sentiment. In this respect its success has been on only a limited scale, and this is so especially in the Transvaal, where the old republican fire might have been expected still to smoulder most strongly. But of late it has sought to exploit other sentiments and prejudices. The native legislation, more especially the provision made under the Native Trust and Land Act for the purchase of land for natives, gave it the opportunity to play on colour prejudices. It is also making the most of the Government's refusal to introduce legislation to prohibit marriages between Europeans and all classes of non-Europeans, whether natives, Asiatics, or of mixed blood.

More recently it has taken up the anti-Jewish cry, which has for the last few years been raised in South Africa by a typical "shirt" movement. Since the Nuremberg decrees there has been a considerable increase in Jewish immigration from Germany, and when it was announced that the regulations were to be tightened up, with effect from November 1, a special ship was chartered to bring out over 500 German Jews. This ship arrived just before the Cape provincial election, and its arrival contributed substantially

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to the success of the Nationalists, who had in the meantime thrown themselves wholeheartedly into the anti-semitic campaign.

It is clear that this matter will play a big part in the session's debates. The Government is introducing an Aliens Bill, which embodies the principle of selection in respect of all immigrants other than those of British birth. Dr. Malan, as leader of the Nationalist Opposition, has submitted a motion demanding legislation of a specifically anti-semitic character. As a result anti-semitism will assume a significance which in the past, happily, it has never had in South African politics. No doubt the Opposition anticipates that its position will be strengthened by raising this issue, and that by such tactics it will be able to drive a wedge between the more and the less liberal elements in the Cabinet and in the United party, of whose existence a great deal of evidence has been given lately.

For the rest, the Government appears to have a heavy legislative programme. There is a batch of labour legislation standing over from last year, designed to improve the machinery for maintaining peace in industry. There are three agricultural Bills of considerable importance, dealing with marketing and control along lines that seem now to be accepted as customary throughout the world, though hardly any the more palatable to consumers on that account. There is a Bill dealing with the control of natives in urban areas, which friends of the natives view with considerable apprehension, though with how much justification it is not yet clear. At the same time General Smuts has given notice of important legislation aiming at the removal of abuses that have crept in under the present company law.

Finally there will be two measures of constitutional significance. One will deal with the alteration in the succession to the Throne; the other, which is held to be necessitated by the changed status of the Dominions, will be concerned with the form of the Coronation oath, in so far as it concerns South Africa. To what extent this

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legislation will provide the Dominion and Nationalist party Oppositions with an opportunity for renewing constitutional wrangles cannot yet be foretold.

### II. THE GOVERNOR-GENERALSHIP

**S**OUTH AFRICA is to have one of its own citizens as Governor General. It had been realized for long that the Prime Minister, General Hertzog, was deeply committed to the principle of such an appointment. On several occasions he had let it be known in public that he would, when the time came, make a recommendation to the King in accordance with that principle, and it was recognised that constitutional practice would necessitate its acceptance. When Lord Clarendon's term of office was extended a year ago, shrewd observers remarked that part at least of the purpose was to give public opinion a further period to prepare for the inevitable change.

Yet it cannot be denied that the announcement made during November that Lord Clarendon would lay down his office in March, 1937, and would be succeeded by Mr. Patrick Duncan, the Union's Minister of Mines, was felt as a shock throughout South Africa. For one thing, it had been assumed and hoped that Lord and Lady Clarendon, who have made themselves very widely and deservedly popular, would have remained until at least the end of 1937; for another it had hardly been anticipated that the new Governor General would be chosen from among the members of the Cabinet. There has been a remarkable unanimity of public opinion in regard to Mr. Duncan's suitability, as a man, for the high office to which he has been called. It has been recognised that in character, experience, ripeness of judgment and balance of temperament, he possesses all the necessary qualities. But, apart from the personal aspect, the appointment cannot be said to be a popular one. For many South Africans, more especially but not entirely South Africans of British stock, the breach

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with tradition represented by the appointment of a "local" Governor General is a matter for regret or even for stronger feelings—there is indeed evidence enough of a somewhat unreasoning tendency to regard it as the snapping of yet another link with the Empire. As far as comment in the public press is concerned, no very strong objection has been raised against the principle of a "local" appointment. But there has been a great deal of powerful criticism, even from some of the Government's most loyal and effective supporters, of the decision to appoint a politician still in the active pursuit of his craft. The extent to which this criticism is really prompted by an undisclosed dislike of the idea of choosing anyone from South Africa as its own Governor General is difficult to assess.

Shortly after the appointment was made, General Smuts, sensing the prevalent attitude, spoke at some length in defence of it. He rightly urged that it should not be regarded as in any way weakening the partnership between South Africa and the Commonwealth—that indeed it should serve to strengthen it. He went on to refer to the fact that Lord Tweedsmuir and Mr. Duncan had been colleagues in South Africa as members of the "Milner Kindergarten" thirty years ago, and asked why, if it was appropriate that Lord Tweedsmuir, who had left South Africa, should have been appointed Governor General of Canada, it was inappropriate for Mr. Duncan, who had remained in South Africa, to be appointed Governor General of the Union. The impression made by General Smut's defence was not an entirely happy one, and his main argument seemed to be effectively countered by the observation that, while Lord Tweedsmuir had never participated in Canadian politics, Mr. Duncan was actually a member of the South African Government.

It is this aspect of the matter, and perhaps this aspect only, that gives rise to concern. If a South African politician had to be chosen, then, everyone agrees, no choice could have been happier than the one actually made. But,

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when once the principle of a political appointment has been admitted, what assurance can there be that the next choice will be equally happy, the more so as it may well be made by men of different outlook from that of the makers of the present one? If ever a pronounced political partisan is to be made Governor General, or if the post should come to be regarded as a possible reward for party political services, the prestige of the office will receive a vital blow. And that is something which South Africa, as a whole, does not desire to see.

It is, however, difficult to foretell the course of development in this matter as far as the Union is concerned. It may be that South Africa, like Australia, will decide five years hence to reverse the policy on which it has now embarked. On the whole that is unlikely. It may be that South Africa will follow Ireland, and that the office will be shorn gradually of its prestige and eventually disappear. That may probably also be dismissed as unlikely. Having regard at once to the general temper of the South African people and to the character of the man chosen for the launching of the experiment, it seems to be not too much to hope that it will in fact prove to be a success, that sound traditions will be established from the outset, and that a succession of South Africans will be found capable of maintaining as Governors General the dignity of the office in a spirit of impartiality and of self-effacing detachment.

### III. SOUTH-WEST AFRICA

EARLY in December, the Union Government issued a communiqué giving its decisions on the report of the South-West Africa Commission. A full account of this report and of the Commission's recommendations has already appeared in *THE ROUND TABLE*.\* It will be remembered that the Commission found unanimously that the present form of administration of the territory was a

\* No. 104, September 1936, pp. 772, *et seq.*

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failure; each of its three members, however, recommended a different form of administration for the future, only one advocating the administration of the territory as a fifth province of the Union. In view, therefore, of this lack of unanimity in the Commission's recommendations, and of the antagonism that the fifth-province proposals have aroused amongst the German section in the Territory, the Union Government has decided against that solution. The communiqué runs :

Although the Union Government is of the opinion that to administer the Mandated Territory as a fifth province of the Union, subject to the terms of the Mandate, would not be in conflict with the terms of the Mandate itself, it feels that sufficient grounds have not been adduced for taking such a step. It is however not convinced that the existing form of administration does not answer its purpose, or that the administration of the Territory as a province of the Union would contribute materially to that greater measure of security which the Union section desire. The Union Government also very much doubts whether any of the other solutions which have been suggested would give greater satisfaction than the existing form of administration.

The present form of administration is, therefore, to continue. Steps, however, are to be taken to allay that sense of insecurity in regard to the future of the territory which, as the report indicated, lies at the root of much of the unrest, leading the Union section of the population to agitate for a tightening of the bonds with the Union and encouraging the German section to lend itself to Nazi intrigues for the return of the territory to Germany. With a view to checking these two opposing tendencies, the communiqué states that

The Union Government is not prepared to consider the possibility of the transfer of the Mandate to another Power, and wishes to assure the people of South-West Africa that it has as little thought of abandoning the Mandate as it has of abandoning its own territory. No one need, therefore, be perturbed by the statements of persons who, for political reasons, make play with the imminent return of the Territory to Germany.

This downright announcement may, indeed, lend colour to the views of those who say that a mandate is only a pretty

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name for annexation; it may cause the Mandates Commission some apprehension as to the Union's ultimate intentions in South-West Africa; but it should undoubtedly achieve its immediate purpose of satisfying the Union section of the population of the Territory as to its future security, and of warning the German section of the futility of Nazi intrigue.

Further, the communiqué makes it plain that the Union Government intends to deal firmly with the problem of the Nazi intrigues in the Territory so convincingly revealed in the Commission's report. Whilst prepared for the recognition of German as an official language in the Territory, and entertaining "no objection whatever to endeavours on the part of the German-speaking section of the Union nationals to maintain their language and cultural life and to establish, for this purpose, their own societies and organisations", the Union Government has decided to render it impossible for aliens to be members of political organisations or of public bodies and other organisations "in regard to which the Administrator considers it undesirable that aliens should be members". Moreover, legislative measures are to be taken to prevent any unlawful infringement of the liberty of the person and to protect the individual against unlawful pressure or compulsion in the exercise of his public or private rights. These measures, if carried into effect, should go far to check the activity of Nazi agents in the Territory and to encourage that not inconsiderable section of the German-speaking population which, if freed from external intimidation, would be prepared to cooperate with the Union section in the future, as it did before the Nazi era, in promoting the welfare of the territory. Briefly, therefore, the Union Government, having decided to leave the constitution of South-West Africa unchanged, is determined to secure those conditions of free speech and action without which that Constitution cannot work.

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### IV. THE CROWN AND THE BECHUANALAND PROTECTORATE

THE judgment of the Special Court of the Bechuanaland Protectorate in the case of *Tshekedi Khama and Bathoen versus the High Commissioner*, which was delivered in November last, merits more than local attention, since it has been taken to indicate a change of the Administration's policy. Until recently that policy could be fairly described as leaving a considerable share of the powers of government and of the administration of justice in the hands of the chiefs and their respective tribal institutions, with a minimum of interference with native law and custom. More recent events have suggested a revised attitude. Draft proclamations dealing respectively with certain aspects of government and administration of justice were drawn up by the High Commissioner and circulated among the chiefs for their comments. Conferences were then held between chiefs and Administration officials. Ultimately, after several periods of delay, the High Commissioner promulgated Proclamations 74 and 75 of 1935. The effect of the former proclamation was to impose external checks and limits upon the administrative and judicial functions of the hereditary chiefs, and generally to develop the relevant native custom along constitutional lines. The latter proclamation replaced the existing system of native courts or *Kgotlas*, and of elaborate series of appeals, by new tribunals of paid members, thereby depriving the chiefs of much of their judicial authority.

From the outset, difficulty was experienced in bringing the proclamations into operation, particularly among the Bamangwato and Bangwaketse tribes, whose respective chiefs, *Tshekedi Khama and Bathoen Seepapitso Gaseitsiwe*, instituted actions in the Special Court of the Protectorate for the purpose of testing their validity. The Hon. Mr. Justice E. F. Watermeyer, of the Cape Provincial Division of the Supreme Court of the Union, heard these actions at Lobatsi. The plaintiff chiefs claimed that the proclamations

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were of no legal force or effect, contending that in promulgating them the High Commissioner had exceeded the powers conferred on him by the order in council of May 9, 1891. The defendant initially maintained that in terms of the same order in council the Court had no jurisdiction to examine the validity or otherwise of the proclamations, but the Court overruled this objection as untenable.

The plaintiffs rested their claim on three grounds, all of which the defendant traversed. The first was that the proclamations violated a residuum of sovereign rights vested by treaty in the chiefs; the second, that the proclamations were uncertain and unreasonable; the third, that they altered native law and custom in conflict with the express terms of the order in council.

On the first issue the Court, after a meticulous historical survey, found that the evidence relating to the existence of treaty rights was insufficient to determine a decision, and therefore had recourse to section four of the Foreign Jurisdiction Act, whereby a Secretary of State's answer to questions involving the existence or extent of the Crown's jurisdiction in a foreign country is constituted conclusive evidence. To a question framed by the Court the Secretary of State for Dominion Affairs replied :

I am of opinion that the words "full internal sovereignty" are inapt to describe His Majesty's powers in a Protectorate, but His Majesty has unfettered and unlimited power to legislate for the government of and administration of justice among the native tribes in the Bechuanaland Protectorate, and this power is not limited by treaty or agreement.

Not only did this answer dispose of the plaintiffs' first contention; it also disposes, it is suggested, of the argument that the contemplated transfer of the territory to Union protection would constitute an infringement of treaty obligations.

On the second issue the Court found that this was not a case in which it could enquire into the reasonableness of

## SOUTH AFRICA

the legislation proposed, since, where a discretionary power to legislate is delegated, no duty is imposed on the Courts to say when measures are, and when they are not, in the general interests of peace, order and good government. This decision, however, would appear to Burke the issue of uncertainty, which the evidence showed to have arisen from the application of certain provisions of the proclamations to the actual conditions in the protectorate.

On the third issue the Court found difficulty in interpreting section four of the order in council of May 9, 1891 :

The High Commissioner in issuing such Proclamations shall respect any native laws and customs by which the civil relations of any native Chiefs, tribes or populations under Her Majesty's protection are now regulated, except so far as the same may be incompatible with the due exercise of Her Majesty's power and jurisdiction.

The Court concluded that this merely required the High Commissioner "to treat with consideration" all compatible native law and custom. The Court found as a fact that the proclamations made very great changes in principle in native customs, but also, as a further fact, that the High Commissioner in making those changes had respected native law and custom in the sense of giving them full consideration, and consequently held the proclamations valid.

The manner in which the section juxtaposes the requirement to respect native laws and customs and the exception to that requirement makes it difficult to accept the Court's interpretation. Admitting the ambiguity of "respect" when standing alone, the context would appear to connote the sense of "refrain from interfering with". This interpretation would equally fit the cases suggested by Mr. Justice Watermeyer as supporting his own interpretation. For example, there would be no need to "treat with consideration" a barbarous custom, since the exception would exclude it from respect on the ground of incompatibility. Even if the Court's interpretation be adopted, can the finding that the High Commissioner respected native law and

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custom be sustained? As Mr. Justice Watermeyer said in his judgment, "the High Commissioner cannot simply ignore native law and custom. If, for instance, he introduces legislation in conflict with some native custom of which he has no knowledge, then clearly he cannot be said to have respected such custom." In fact, nine days of the hearing, for which period costs were awarded to the plaintiffs, were devoted to evidence concerning native customs the existence of which was denied by the defendant. Surely these circumstances suggest an ignorance of native custom on the part of the High Commissioner inconsistent with the respect he is required to pay them. The importance of preserving to the protectorate its native institutions, customs and law, except where they are incompatible with its status as a protectorate, demands a closer study of those institutions than the Administration appears to have made hitherto.

South Africa,  
January 1937.

## NEW ZEALAND

FOR the first time for about five years New Zealand is enjoying a recess from Parliament which is likely to be of normal duration. It is the practice for Parliament to meet late in June and to continue until about November. The parliamentary working week is only four days, which enables country members to visit their constituencies. In 1931 the impact of the depression called for an emergency session early in the year, but the ordinary session, held some months later, was not appreciably shorter than usual. Parliament, having commenced the practice of making two bites at the cherry, could not throw it off, with the result that since that first emergency session in 1931 we have had eight sessions in five years; that is, eight recurrences of the constant disturbance and alarms to the business community.

### I. PUBLIC FINANCE

IT can hardly be held against the Labour party that it did not at once abandon the early session. Coming into office in December 1935 with an entirely new programme which it was anxious to put into effect, and having a comfortable parliamentary majority, Labour was naturally impatient to get to work. Parliament was accordingly summoned for March 26. It found a good array of Bills ready for consideration, and worked hard and methodically on their enactment till June 11. Then, having overtaken the work of the legal draftsmen, Parliament adjourned for a few weeks to allow Ministers to get ready their remaining policy Bills. It resumed on July 21 and was eventually prorogued on October 31. The Labour party must have

## PUBLIC FINANCE

had a comfortable feeling of achievement. It had passed altogether 39 public Acts—many of them of almost revolutionary import—13 local Acts and 7 private. Yet the number of late sittings was not greater than usual, for the closure was applied freely to expedite decisions. Moreover, the Labour party eliminated much of the wasteful and expensive debate on the Address-in-reply, which often kept Parliament employed for weeks and even months when urgent work called for attention.

The latter part of the session enabled Ministers from time to time to clarify their position on the use of "public credit" and generally on government interference with capital. Questions in the earlier months had given the Government the opportunity of saying clearly enough that they did not intend to utilise what is called "costless credit" in implementing their policy, but it remained for the budget and the taxing Bills to indicate how they intended to raise the additional revenue that their new commitments called for.\* In the debate on these Bills Mr. Savage said :

Our predecessors did not seem to know any method of doing anything except by first taxing the people to get the money. . . . I think that the public credit should be used freely and sensibly for the creation of public assets. I propose to remove the sales tax and the high rate of exchange at the time that seems to be most suitable. It is all a matter of making the transformation with the least possible disturbance. In one primary industry we have a substitute—the guaranteed price. . . . The exchange should be reduced and ultimately abolished, and other methods substituted—trade agreements.

Other aspects of the Government's financial policy developed later in the session. The Finance Bill (passed on October 19) authorised the raising of £13,000,000 this year, of which £6,000,000 is for public works, £5,000,000 for housing, and £2,000,000 for main highways; some 4,000 miles of these will be taken over by the state, with corresponding relief to local bodies. Of the sum allocated for housing £1,500,000 will be made available this year to

\* See *THE ROUND TABLE*, No. 105, December 1936, pp. 222 *et seq.*

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local bodies at 3 per cent. interest. The Government has no intention of making a profit out of its housing policy, but it does intend to meet all the charges. The Minister of Finance (Mr. Nash) reiterated that notes will not be used to finance the policy, and that the Government will be charged interest—he does not say at what rate—on all money it may raise through the Reserve Bank. On the eve of his departure for England he announced that he would exercise the option of converting or paying off £12,400,000 of 4 per cent. stock and debentures falling due on January 15, 1940. Holders were invited to convert into 3½ per cents maturing in January 1957 or into 3 per cents maturing in July 1941. In making this first government issue since 1933, the Minister expressed his belief in a low rate of interest for the prosperity of the Dominion; a high rate, he said, always culminated in depressions. By November 14 the sum of £8,253,780 had been converted; £2,714,750 will be repaid in cash, leaving a balance to be found from some other source.

This issue included £1,530,000 to be paid by the Government for the purchase of the electric light and power undertaking of the Southland Power Board. Though the state possesses a number of important power stations in both islands, involving the investment of £14,000,000 of public money, it has hitherto operated by wholesale only, selling the power to local boards for distribution. The Southland Board has been embarrassed for some time owing to its heavy burden of loans, upon which a sinking fund is provided at the rate of 4½ per cent. To finance this it has in the last 12 years raised over £500,000 by rating the district. As the state had guaranteed the loans, one of which (amounting to £1,500,000) was due for repayment in London on September 15, the Government offered to take over the undertaking as a going concern, assuming all liabilities and promising that there should be no increase in the charges for power and light. The question was submitted on September 28 to a poll of ratepayers, by

## THE RATIONALISATION OF INDUSTRY

whom it was approved by a large majority. As long ago as March Mr. R. Semple stated that it was the Government's intention to make the sale of power and light a state monopoly. Thereby they advance only a step towards complete state control, since legally the state has had the right to monopolise power production for the past quarter of a century.

### II. THE RATIONALISATION OF INDUSTRY

HERE was a lively controversy about the Industrial Efficiency Bill, which was introduced on September 25.\* As the debate developed, the Minister of Industries and Commerce assured critics again and again that the principle of licensing and rationalising industries was only to give effect to proposals put forward by manufacturers. The New Zealand Manufacturers Federation proudly claimed that more than two years ago it had proposed licensing, planning and co-ordination of industry; but it had not anticipated such extensive departmental and political control as the Minister intended. It had suggested that the representatives of industries and of consumers should do the work. Mr. Sullivan claimed that New Zealand was merely following in the footsteps of Great Britain, but Lord Elibank, who was in New Zealand, pointed out that, under the British Act referred to, the rationalisation was enforced only when those engaged in an industry requested the Government to intervene. Mr. Sullivan accepted a suggestion that representatives of both manufacturers and workers should be present when their particular industry was being considered. Not all of the Opposition members criticised the Bill. Planning is not new to them, since their own party has applied the principle in recent years; but they condemn out of hand the wholesale powers of licensing which the Bill proposed to take for the Minister and his bureau. Such powers, they say, would have

\* See *THE ROUND TABLE*, No. 105, December 1936, p. 233.

## NEW ZEALAND

prevented a Henry Ford from getting a start in life, and yet make possible the most extreme forms of monopoly. On October 7 Mr. G. W. Forbes, leader of the Opposition, moved an amendment to restrict the operation of the Bill to certain industries to which it should apply only on their request for intervention. This was defeated by 42 to 17 and the second reading agreed to.

Meanwhile chambers of commerce and manufacturers' associations either gave their blessing to the measure or accepted its principle with safeguards to which the Minister gave reasonable consideration. He agreed that a vote should be taken in an industry before a plan was adopted and that if such vote were adverse the plan should be shelved; further, that on the submission of a provisional plan adequate notice should be given to all persons affected. The functions of the bureau were widened to include supervision of industrial capitalisation, and provision was made for compensating persons who suffered loss due to licensing. The Opposition tried, without success, to restrict the Bill to manufacturing industries. The Minister insisted that the Government did not intend to use tariffs to protect New Zealand industries. They would continue to push their policy of trade agreements. The Bill passed the House on October 21, and the Legislative Council two days later. On December 18 ten industries were gazetted as being licensed under the Act, including the importation of motor spirit, the manufacture of cement, asbestos, rubber tyres, electric ranges, pumps, rennet and phosphatic fertilisers, and the dispensing of chemists' prescriptions. These industries can now be carried on only under licence.

Before leaving for England to inaugurate the export side of the Government's marketing policy, Mr. Nash announced that it was not intended for the present to take any steps in state control of local marketing of dairy produce, beyond perhaps making regulations to secure for the producer who supplied the local market a return equal

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to the sum he would receive if producing for export, and to see that the consumer paid a reasonable price. Within two months of this statement it was apparently found necessary to take the first steps towards state control of the local market. On December 4 it was announced that the state was taking over the business of a leading Wellington distributor of dairy and allied products; it will be carried on as a state enterprise under the management of its late owner, who becomes director of internal marketing.

The Congress of British Empire Chambers of Commerce, which was held in New Zealand in October, synchronised with the passage of the Efficiency Bill and elicited a few pointed comments on New Zealand legislation. At the opening of the congress Mr. Savage threw out a suggestion to British capitalists.

If they were going to have preferential trade within the Empire (he said) it had to have two sides to it. Unless the British people would invest their surplus capital to lay the foundations of preferential trade they would never get it. While British capital was invested in foreign countries British trade would follow it.

Mr. Nash pleaded for the co-operation of Great Britain in ascertaining what goods New Zealand could take and what industries could be built up economically in the Dominion. Increasing production and increasing imports, he declared, were not incompatible if we were pursuing a higher standard of living.

This and some remarks of Mr. Sullivan on the Efficiency Bill seem to have given Lord Elibank another cue for a courteous warning on behalf of British capital. Speaking at Dunedin on October 15, he appealed to the Government not to pass the Bill until Mr. Nash had had an opportunity of discussing it in London.

I have come to the conclusion (he said) that conditions are arising and legislation is being passed which British capital cannot be expected to understand and for that reason British capital is becoming shy of New Zealand investments. . . . Surely the oversea companies are as much interested in the prosperity of New Zealand as the local bodies themselves. In any event

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outside companies have provided large capital and are glad to go on doing so, but if this is the way they are to be treated there is little hope that any more capital will come from that place from which most of it comes, namely, the city of London.

The reaction of the Government to this attack was spirited and rather naïve. Mr. Savage was quite unperturbed. He deprecated making it appear that the Bill was inimical to British interests. "As long as the people of New Zealand stand behind the Government (he said) we will be the Government of New Zealand and we are not going to take instructions from people abroad no matter who they are or what their position."

Another member of the congress (Mr. J. A. Aiton, of the Derbyshire Chambers of Commerce) took occasion when leaving New Zealand to assure his audience that there was no doubt in London as to New Zealand's solvency or her willingness to pay when loans fell due; "but I do say (he added) that any lender would have to consider whether the trend of political thought in this country might lead to the introduction of legislation that would make payment more difficult". The conservative press hailed Lord Elibank's speech as a timely warning to the Government. The *Evening Post* (October 16) considered that he had only done his duty in taking up Mr. Savage's challenge.

In prudence British investors will assume that the powers taken are not without a purpose. The investor cannot be expected to take the risks attendant upon control by a majority vote of competitors in the same industry. That means that his industry may be strait-jacketed, his enterprise hindered and his own efforts to extend industry thwarted. The only countries which have taken a comparable course are those totalitarian states which for economic nationalism or other reasons have accepted regimentation as an economic and social policy.

### III. THE BASIC WAGE

THE application of the workers for the fixation of a basic wage to apply throughout New Zealand came before the arbitration court at Wellington on October 19

## THE BASIC WAGE

and the hearing occupied about a fortnight. According to the amended Industrial Conciliation and Arbitration Act the rate to be fixed must be such as would enable an adult married man with a wife and family of three to maintain himself in a condition of fair and reasonable comfort. There was no precedent in New Zealand to go by. In all previous decisions of the courts what is called the "minimum wage" was fixed on the basis, not of the living requirements of the workers, but primarily of economic and financial conditions affecting trade and industry. The cost of living and the living wage thus merely took a place among other relevant considerations. The workers in the present case rested their claim upon this change of ground and asked the court specifically to fix the basic wage at £6 10s. 3d for the adult male worker so circumstanced and £3 10s. for the female worker. In 1920 the Arbitration Court in Australia fixed £5 16s. as the basic wage for a male worker. Prices were then exceptionally high. The New Zealand court declined to follow that precedent at the time on the grounds that the national income could not support such a scale, and moreover that the size of the average family in New Zealand was only 3.57, whereas the Australian computation was made on the basis of a family of 5.

The employers in the case of last October did not suggest any figure, and they seem to have been wise in refraining. They insisted that despite the wording of the Act the court must consider the economic and financial conditions of industry. Their proposal was that a base period should be adopted and the basic wage be calculated for that period on the value of production per head of population. They urged, moreover, that costs in secondary (or manufacturing) industries should be kept sufficiently low to bring the commodities produced within the purchasing power of those engaged in primary industry.

The judgment of the court (delivered by Mr. Justice Page on November 2), fixed the wage at £3 16s. a week for the adult male worker and £1 16s. for the female worker.

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The workers' representative on the court dissented, but only to claim that the rates should be £3 17s. 6d for the male worker and £1 19s. for the female. The judge pointed out that the wage to be fixed was in effect the historic "minimum" rate; that is, it was to be not greater than would be appropriate to the least skilled and least remunerative type of work covered, or likely to be covered, by an award or industrial agreement, and it should necessarily be applicable to every industry in New Zealand to which any award or agreement related. Needless to say, labour was very disappointed at this reduction of its hopes. The official organ of the Labour party (*The Standard*, November 11) said :

Nothing is more absurd than the basic wage. On the 1914 basis the court in 1936 has allowed £1 15s. 11d for food for a week for five people, or 2½d per person per meal, which is 8½d per person a day. This is a coolie standard.

And yet the rate fixed compared favourably with that now obtaining in Australia, where wages generally are higher than here. The basic wage fixed by the Commonwealth court of arbitration, which is for a man with wife and two children, varies from £3 4s. in Tasmania (a cheap state to live in) to £3 10s. in New South Wales. The scales fixed by the industrial tribunals of the states vary from £3 4s. to £3 6s., and the rate for women from £1 13s. to £1 16s. The percentage ratio of the women's wage in New Zealand to the men's is 47·3, as compared with 53 in Australia, 56 in Great Britain, and 57 in the United States. The rates fixed by the New Zealand court compare not unfavourably with the liberal rate agreed upon between the Public Works Department and the New Zealand Workers Union. This rate is 16s. per day (say £4 a week).

Incidentally the court announced that unless there were special reasons it did not intend to advance wages in New Zealand beyond the level of 1931 (which has been fully restored for public servants by the present Government's

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Finance Act, 1936). The actual hourly rates thus arrived at have already been augmented in many cases by the 40-hour-week order, which insists on the same weekly wage for a shorter number of hours.

It will be remembered that the Government signalled its advent to power a year ago by granting what were called Christmas boxes to men on relief works and on sustenance, the total cost of the gift being something like £100,000. This Christmas it has again announced new seasonal largesse on a fairly liberal scale. The old age pension, which is the most widespread of New Zealand's social benefits, stood twelve months ago at the rate of £45 10s. a year. The Labour Government at an early date increased it to £52 a year, and by the Pensions Amendment Bill the field of eligibility was widened in several directions. It is now announced that from the beginning of 1937 the rate will be further increased to £58 10s., that is, an advance of 2s. 6d per week. Simultaneously an increase is being made in the sustenance allowance to men without work, at the rate of 3s. a week for single men and 6s. for married. This will affect about 25,000 workers. In April 1936 the scale of sustenance was raised from 14s. to 17s. per week for a single man and from 44s. to 57s. for a man with wife and family of seven. The new increase will bring it up to £1 a week for a single man and £3 3s. for a married man with wife and seven children. There is also a Christmas bonus for qualified relief beneficiaries, women and single men receiving £1 and married men £2. In announcing these gifts the Minister (Mr. Armstrong) declared again the Government's insistence that work should be done by all who can.

The Government (he said) expects and requires that every able-bodied man who is offered work at standard rates and under reasonable conditions shall accept; failing which he will be regarded as voluntarily unemployed and therefore undeserving of Government assistance in any shape or form.

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### IV. THE IMMIGRATION PROBLEM

THE more far-sighted section of the people have been watching with some expectancy for a statement of Government policy on the question of immigration, which has been practically at a standstill for the better part of a decade. In 1926-27 New Zealand received 14,943 immigrants, of whom 11,239 were assisted. In 1930-31 the number of immigrants was 2,610, and more than half of these were paying their own fares. In the five years since then 4,501 persons arrived in the country and of these only 356 received any assistance. In the last ten years there has been an actual loss of population of 2,800, on balance of immigration and emigration. The last Government, while sympathetic to British immigration, conceived that to bring in new people during the depression would merely add to the number of unemployed. The Labour party admits to harbouring the same fear, and seems to have come to the conclusion that while it would like British immigrants it must ask that they should bring capital with them. This policy received some support from the British Empire Chambers of Commerce.

In the last few months three arresting publications \* have appeared sounding a warning about the stagnancy of our population. Mr. A. E. Mander shows that the birth rate in New Zealand fell from 23.1 per 1,000 in 1922 to 16.1 per 1,000 in 1935, and that the rate of increase of the population shrank from 2.27 per cent. in 1925 to 0.64 per cent. in 1934. Within nine years the population will be at a standstill. Unless immigration is resorted to we shall never have more than 1,650,000 people in New Zealand.

Mr. J. E. Emlyn Jones, of Cardiff, in moving a resolution at the congress of chambers of commerce calling on the Empire as a whole to co-operate in a scheme of redistribution of population, was even more gloomy than Mr. Mander

\* A. E. Mander, *To Alarm New Zealand*; A. Leigh Hunt, *National Suicide, or the Brighter Britain of the South*; Arthur Fraser, *A Case for Immigration*.

## THE IMMIGRATION PROBLEM

about the future of the Empire population. He stated that if the Dominions did not seize the present opportunity of getting British emigrants it would soon be too late, since experts predicted that in one hundred years from now the population of the British Isles would have shrunk to five or six millions. Great Britain, he said, should provide the men and women, and the Dominions the land and supervision, and thus they would get a balanced population of suitable types of people. The resolution was carried unanimously.

The Labour party have not been averse to immigration in principle, but they believe that improvement of the standard of living is "the common-sense way of increasing the population". On this point even strong conservative organs can be found supporting them. *The New Zealand Herald*, for instance, writing on November 26, says :

It is extremely unlikely that New Zealand will ever again lightly turn her thoughts in that direction (immigration). . . . But even before the Dominion goes so far Government and people should face the fact that to-day, at a time of prosperity, there are still about 50,000 adult males unable to find regular work, not counting adolescents and not counting the thousands engaged on mere . . . . public works. Before that possible solution (immigration) is tested the people will insist that their unemployed countrymen should be given an opportunity to qualify for any vacancies. . . . New Zealand's first duty is to her own.

While conservatism can speak like that one would hardly expect Labour opinion to be more liberal. And yet Labour has shown a definite friendliness towards the discussion. Lord Elibank made a useful contribution. He said :

When we transfer population from one country to another we must transfer capital at the same time. . . . In considering these schemes of migration from the Old Country we must consider whether our migrants will get a square deal and whether our capital which follows them will get a square deal also. I believe we should face up to this position.

A few weeks later Mr. Savage made a considered statement on immigration which indicated that while he did not

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abandon the traditional position that our own people must first be looked after he was not averse to a scheme of Empire co-operation. To the *Evening Post* (December 2) he said :

There was a time when we believed that trade followed the flag. Now we know that it follows investment. . . . If people come here from Britain the job has to come with them. We cannot have them struggling with those here now for the jobs that are going. That means that if we are going to put people from abroad on the land they will have to have the wherewithal to maintain themselves. . . . There are a number of people in Britain who are used to hard work and used to striking out for themselves, but they are without money. If those people come to New Zealand with the necessary capital places will be found for them; but it is not the intention of the Government to borrow money to bring people to the country and settle them at high rates of interest. There will be no return to the system of nominated immigration as we knew it.

Mr. Nash is discussing this problem with the British Government in preparation for the Imperial Conference. Meanwhile the Speaker of the House of Representatives (Mr. W. E. Barnard) has opened a campaign in the country strongly urging the necessity of tackling the problem. He insists that those who look upon immigrants only as possible competitors are overlooking that they are also consumers and that secondary industries can be developed only to the extent that the extra production can be consumed.

### V. LOCAL GOVERNMENT REFORM

DURING the recess country interests will have time to consider the Local Body Bill, a permissive measure to simplify our system of local government. It was read a first time on the motion of the Minister of Internal Affairs (Mr. W. E. Parry) on October 31. Owing to the sporadic nature of settlement in New Zealand and the strong local patriotism that grew up from it, our little population of one-and-a-half million people supports more than 700 local bodies. In addition to boroughs and counties there are

## POLITICAL PARTIES

many inferior authorities, including town, river and road boards, rabbit boards, power boards, hospital and harbour boards, drainage and water supply boards. The Bill proposes still to recognise the right of people in a locality to organise themselves, but it must be into larger and fewer local governing units. They may initiate their own schemes of amalgamation; but if they fail, or if their schemes are unacceptable, then the Government will have power to act. All schemes will be considered by a local government commission, which will proceed on the assumption that amalgamation is desirable, so that every local body will have to prove its claim to survive.

In this measure the Government has shown both courage and tact. No doubt the enjoyment of an unchallenged majority in both Houses has emboldened it to tackle a question three previous Governments recognised but consistently shirked. Possibly Labour will suffer less than the Right by the loss of support due to the dethroning of many leaders in local government as the result of the extinction of their councils; but it will not entirely escape repercussions due to loss of employment by clerical and technical workers, if not also by labourers, which will almost certainly follow the amalgamation of neighbouring councils. Still, it is doing a distasteful task in the most agreeable manner—by leaving it to the local bodies to commit suicide. Historically-minded people reflect that the first approach by a timid Government to extinguishing the provinces of New Zealand in 1875 was also by means of a permissive Act. In the following year the Government felt strong enough to exterminate the provinces lock, stock and barrel.

## VI. POLITICAL PARTIES

THE only by-election since the Labour Government took office was that in Manukau on September 30. Mr. W. J. Jordan, who is now High Commissioner in London, had held that seat very strongly since 1922. At

## NEW ZEALAND

the 1935 general election he polled 70·12 per cent. of the total number of votes cast. Mr. A. G. Osborne, who has now kept the seat for Labour, polled 68·1 per cent. It was announced by the chairman of the Labour party (Mr. Clyde Carr, M.P.) that the overtures of the New Zealand Communist party for an alliance with Labour in the formation of a popular front had been rejected. Mr. Carr said that the Labour party, judging the Communists by their past record, had no hesitation in turning down the application.

The Opposition parties have at last come more closely together. Though the United (Liberal) and Reform (Conservative) parties formed a coalition in 1931, they continued to maintain their party organisations, each no doubt secretly hoping that the time would come when it could regain office independently of the other. These organisations have now disappeared entirely, the two parties coming together on a common platform under the title of the National party. The parliamentary wing of the new party met on the last day of the session and elected as leader the Hon. Adam Hamilton, M.P., who was one of the most successful Ministers in the last Government and an outstanding Opposition debater in the sessions of this year. Mr. Forbes gracefully retired from the leadership, and the other candidate, Mr. C. A. Wilkinson, formerly one of the independent wing of the Right, did not call for a vote. Mr. Hamilton says that he understands clearly that the Opposition cannot hope to appeal to the country merely as being opposed to the Labour Government. They must adopt a positive attitude and express the political thought of the Liberals and Conservatives.

New Zealand,  
December 1936.

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# THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS OF  
THE BRITISH COMMONWEALTH

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- Empire Trade and World Trade
- Czechoslovakia and Its Minorities
- British News Abroad
- The Dominions and Imperial Defence
- Preparedness in Northern Europe
- The Coming Irish Election
- America: At Home and Abroad
- Constitutional Crisis in India

AND THE QUARTERLY REVIEWS OF AFFAIRS IN  
CANADA; AUSTRALIA; NEW ZEALAND;  
SOUTH AFRICA, GREAT BRITAIN

JUNE 1937

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THE ROUND TABLE is a co-operative enterprise conducted by people who dwell in the different parts of the British Commonwealth, and whose aim is to publish once a quarter a comprehensive review of Imperial politics, free from the bias of local party issues. To this is added a careful and impartial treatment of outstanding international problems that affect the nations of the Commonwealth. The affairs of THE ROUND TABLE in each portion of the Commonwealth are in the hands of local residents, who are responsible for all articles on the politics of their own country. It is hoped that in this way THE ROUND TABLE serves to reflect the current opinions of all parts about Imperial problems, and at the same time to present a survey of them as a whole, in the light of changing world conditions.

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A QUARTERLY REVIEW OF THE POLITICS  
OF THE BRITISH COMMONWEALTH

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## THE KING AND HIS PEOPLES

THE coronation is over. Not only in the Abbey, but throughout the Empire, enthusiastic crowds hailed their "undoubted King". The historic formula of the Recognition has never rung more true at a King's coronation. King George VI ascended his throne, in unparalleled circumstances, by the heart-rending but deliberate choice of the whole British Commonwealth of Nations. There has been no uprush of republicanism. The modern kingly tradition has, if anything, grown more precious to us because it had seemed, for a little, to be in peril. The memory of that sharp December week of testing did not mar the "willingness and joy" of the people's acclamation. Nevertheless, because of that memory many minds have brought to the coronation ceremonies, not only emotional fervour, but also appraising reflection. We have thought of kingship as well as of the King. We have not quite taken it all for granted; we have asked ourselves in concrete and unaccustomed ways what the King should be and should do under the conditions of to-day.

Because of recent memories, again, men and women everywhere have given more than a passing thought to the nature and meaning of the coronation observances. The ceremonies have been more than a mere exciting and memorable pageant, at which men stand as spectators: they have been in a real sense a sacramental act in which the whole people joined. Indeed, so far have people been from heedlessness that many have fallen into an opposite error, and have attributed to the coronation an even juridical significance, which it does not in truth possess. Both the King's title and his powers are derived at last

## THE KING AND HIS PEOPLES

entirely from the law, and to neither does the coronation add anything. Uncrowned, our monarch is every inch a lawful king. His coronation validates and authorises nothing. In the great dramatic act of the coronation ritual, however, the spiritual ties between the King and his peoples are drawn closer, because they become more consciously apprehended. Thus the significance of the coronation is religious and symbolic, not juridical. In the most solemn sacrament of the Christian Church, the King consecrates his kingship; his peoples, by their representatives assembled, consecrate their loyalty in the ancient act of homage.

### I. PAGEANTRY AND EMPIRE

THE coronation of a king and queen, with its wealth of historic symbol, is the greatest, as it is the most significant, of the ceremonies of monarchy. It comes as a fitting climax to the recent series of royal pageants which have stimulated, without surfeiting, the imagination of the Empire. Even the economic importance of such celebrations is not inconsiderable; but the political effect of the pageants, joyous or solemn, of the past three years can scarcely be over-estimated. A great empire, no doubt, does not live by pageantry alone. Without pageantry, however, it could scarcely live at all. So at any rate Cromwell appears to have found, so at any rate the elaborately organised stagecraft of twentieth-century dictators most eloquently proclaims. That the British taxpayer should without complaint meet the cost of all the elaborate preparation and the wide-flung generous hospitality of this coronation is an indication, not of avidity for entertainment, but of sure political instinct and a wide imperial vision. To have given the visitors from overseas a position of special favour, by comparison with those who live in the United Kingdom, is an expression of the mother-spirit that will not be without its effect upon the generation that has experienced it. To-day, what is more, scientific

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inventions have immeasurably enlarged the area within which the effect of any great public ceremonial is felt. The low-priced illustrated newspapers, and still more the cinema and the radio, have enabled literally millions of the King's subjects, at the very ends of the earth though they may be, to share at something uncommonly like first-hand in the thrill of even the greatest occasions of state.

In the century that has elapsed since Queen Victoria came to the throne there has been a rapid evaporation of the feudal spirit the world over, not least in Great Britain and the overseas Dominions. But during that hundred years the prestige of British monarchy has grown absolutely as well as relatively, as the Sovereign has come into contact with an ever-increasing proportion of the people. In the magnificent pageantry of the coronation of King George VI and Queen Elizabeth, monarchy has entered every town and village, almost every home. Such popularity has its exacting side. Under the conditions of to-day the royal family are the most public of all public personages, and scarcely the most personal of their personal affairs are a matter of public indifference. Here, too, the change that has taken place in a century is vast. Six months of a George IV, under contemporary conditions, would probably discredit the monarchy beyond preservation. But the jealous popularity of to-day has its inspiring side as well. A commonwealth of peoples whose only legal link is their king is an audacious political experiment. For the success of that experiment, it is of incalculable importance that science has made the King visible, audible, personal, to his peoples. In the pageantry that centres upon the Crown, the very spirit of Empire lives.

### II. THE KING'S PEOPLES

TURNING from the King to the peoples at whose head he is set, the changes witnessed by the past hundred years are again dramatic. In 1837, the Second British

## THE KING AND HIS PEOPLES

Empire indeed existed, the result of half-a-century of conquest mainly at French expense. But it was an empire of tiny settlements, and it was an empire without vision. At the accession of Queen Victoria, Canada was the only considerable white settlement overseas that appeared to have any prospects. In Australia, settlement outside Sydney and its environs was still in its precarious beginnings. In New Zealand the Maori wars were still being fought. Cape Colony and Natal had just witnessed the Great Trek; Africa as a whole was unappropriated; India was still in the hands of John Company. The whole empire was one fiscal unit, and the constitutional system throughout was based on central control. When, in her coronation oath, Queen Victoria promised to govern according to law and custom "this Kingdom of England and the dominions thereto belonging", the formula which had been prescribed for William and Mary still reflected perfectly the character of her empire. Paralysed by the wars and by economic crises, the governing classes of Great Britain had invented no new technique of colonial administration since the collapse of the First Empire. In the first year of the young Queen's reign the old colonial system had, in Canada, again brought a free European population to the point of revolt. Ominously enough, the Patriotic Association in New South Wales threatened to follow its example.

The first great wave of nineteenth-century English liberalism luckily reached the Colonial Office just in time. Presented in 1839, the Durham Report adumbrated a new doctrine of responsible government for the colonies, a doctrine upon which the Third Empire was founded, and which proved flexible enough to make possible a rapid and unparalleled imperial expansion. Colonies became Dominions, and the Dominions took their place among the nations. Autonomy swiftly replaced central control, the co-operation of equals replaced the exercise of authority by Great Britain—a development aptly symbolised by the

## A MULTIPLE KINGSHIP

use of the new term "British Commonwealth of Nations", instead of the traditional "British Empire". Though the United Kingdom retained its primacy of wealth, power, and prestige, that primacy was now a matter of "stature", not "status", in relation at least to Canada, Australia, New Zealand, South Africa, and the Irish Free State. After ten years of imperial constitution-making, it was not surprising that for King George VI the ancient coronation oath was revised. What His Majesty was required to swear was to govern

the peoples of Great Britain, Ireland, Canada, Australia, New Zealand, and the Union of South Africa, of your possessions and the other territories to any of them belonging or pertaining, and of your Empire of India, according to their respective laws and customs.

In these words is unobtrusively epitomised a great chapter in imperial constitutional history. As other links of empire have been removed, attention has more and more been concentrated upon the Crown, as the point of unity in diversity, the symbol of that free association which is the essence of the Commonwealth. In the new coronation oath, Dominion status is expressed in personal terms. "British possessions" have become "the King's peoples". Nor indeed is the evolution by any means complete. The new special reference to India is no doubt suggestive of that far-seeing attempt, now in full progress, to make over the *quondam* empire of the Moguls in the image of British parliamentary democracy. There may be other candidates for Dominion status as time goes on—other communities emerging from the older category of "British possessions" into the happy circle of "the King's peoples".

### III. A MULTIPLE KINGSHIP

THE political evolution of the King's peoples has produced accompanying and remarkable changes in the King's own legal relation to them.

## THE KING AND HIS PEOPLES

The Statute of Westminster brought the Act of Settlement within the ambit of Dominion legislative powers, and the Imperial and Dominion legislation concerning the succession last December was so drafted as to make it clear that in the Free State at any rate, and perhaps in the Union too, the statutory title of King George VI rests solely upon Dominion law. This fact puts an end to the controversies about what is (rather misleadingly) spoken of as "the divisibility of the Crown". Indeed, as the legislation worked out, it chanced that for a day or two Edward VIII was King in some parts of the Empire and George VI in others, and allegiance was temporarily due to two different Sovereigns. But this was only a temporary episode, with no permanent political significance. The common allegiance to the Crown, in which historically the unity of the Empire is expressed, would obviously be at an end if the succession of the centuries through one Sovereign were broken. In order to avoid chaos and the disruption of the Commonwealth, it was agreed in 1931, and the agreement was recorded in the preamble of the Statute of Westminster, that alterations of the succession should not be made otherwise than by agreement among all the members of the Commonwealth. At the abdication of King Edward VIII, this convention was faithfully observed.\* The episode did make clear beyond doubt the multiple capacity in which the King now acts. But it also expressed and emphasised the will to unity of the whole Commonwealth. With the single alteration necessitated by the abdication of King Edward VIII, the throne descended, without question or difference of opinion, as determined in 1701.

Reverence for the heritage of the past, pride in the achievements of the unitary Empire of the nineteenth century—neither requires us to look to the future with misgiving. The Third British Empire closely resembled the conditions for which liberal American opinion before the

\* See *THE ROUND TABLE*, No. 106, March 1937, pp. 247-257.

## A MULTIPLE KINGSHIP

Revolution had pleaded in vain. The post-Statute-of-Westminster Empire seems to go farther back still into history, and to resemble most nearly, in some of its aspects at least, the state of affairs that existed in the seventeenth century, when England and Scotland were united under the Stuart kings. This relation is usually spoken of, rather slightly, as a "mere personal union", and certainly the history of Anglo-Scottish relations in the seventeenth century does not afford a very encouraging precedent. But the analogy, happily, breaks down. England and Scotland had had no experience of mutual forbearance and co-operation—indeed, quite the reverse; communications were poor and there were no institutions for securing common action; because the union was a new thing the Crown had no tradition as the symbol of the association of the two countries; and, in fact, the King through whose person they were linked turned out to be an element of discord, not a point of unity.

By contrast, the British Commonwealth of Nations presents all the conditions for a different and happier fate. Nevertheless, the seventeenth-century history of the Anglo-Scottish union has at least a twofold significance for the present. First, the essential thing in maintaining the vitality of any "free association" is to foster in all its members a clear vision of the common purposes for which the unity of the association is desirable and desired—common purposes which will embrace both ends and means. The Imperial Conference now in session will serve the future well if it concentrates on such things, and is able to formulate for the nations of the Commonwealth something of their collective function in the world. Secondly, the unhappy Anglo-Scottish story of the Stuarts throws up into sharp relief the importance to the King's peoples of the King's person and character. The importance of the integrity of the Crown to-day is truly, as Mr. Baldwin reminded the nation last December, "beyond all question far greater than it has ever been". The dissolution of the

## THE KING AND HIS PEOPLES

older legal links of Empire throws greater emphasis than ever before on the surviving personal link, the King.

### IV. THE RÔLE OF KINGSHIP

**E**XACTLY what is it, then, that the King's peoples expect him to do to-day? What is the King's rôle in the post-war democracies of the British Commonwealth? Over a large portion of the field, an answer can be given that would command very general agreement, but one vital matter is still in some controversy. Confident statement either way is very difficult; for although precedent may be a most dangerous guide, we are in the sphere not of formulated law but of usage and convention, in which precedent is the obvious basis of inference. The general tendency of the monarchy since the revolution of 1688 is plain enough: it is uniformly in the direction of eliminating from government the personal will of the Sovereign, and substituting for it an official will, determined by a Ministry responsible through the House of Commons to the people. So far so good. Everyone agrees. But exactly how far has the process now gone? One after another of the ancient prerogatives has become subject, by law or by convention, to the rule that it will be exercised only upon the advice of Ministers. But are there now any "personal" prerogatives left—any powers that the King is entitled to exercise in his own personal discretion, according to his own personal view of what the country needs, even despite the advice of his Ministers? So far as concerns the ordinary events of politics, it is agreed that there are none; that the King is in the normal course expected to reign, not to govern or rule; that he may influence and discuss, advise and even delay, but in the end not personally decide: the responsibility for actual decision will lie with his Ministers. Indeed, it is a pity, in the more politically advanced communities of the Empire at any rate, that the language habitually used about monarchy on public

## THE RÔLE OF KINGSHIP

occasions is drawn so extensively from the sixteenth century. In the normal course of politics, personal rule is obsolete, and it is to misconceive loyalty to go on speaking of a twentieth-century monarch as though he were King Henry VIII.

At this point, however, agreement ends. Conservative constitutional observers insist that in great emergencies the "reserve" powers of the King may be invoked, and that to save the constitution, or to give effect to the will of the nation as against that of the Ministry or even the House of Commons of the day, the King may act in his own discretion. This may be called the "safety-valve" theory of monarchy. In 1913, for example, Unionist leaders such as Balfour and Bonar Law, supported by constitutional lawyers of the weight of Anson and Dicey, contended that it was the King's right and duty, in the circumstances that prevailed, to force a dissolution of Parliament in order to test the opinion of the country in relation to the Liberal Government's Irish policy. The issues, from the Conservative point of view, have been well put thus :

The personal responsibility would be terrible, the risk to the prestige of the Throne incalculable, but might it not be right to face that risk rather than the calamity of a mutinous army and a war between citizens? \*

Similarly the dismissal of his Ministers by the Governor of New South Wales in 1932 was widely applauded as being the only course that could have avoided civil disturbance in the state.

Radical thinkers, on the other hand, incline generally to the view that the convention that in the last resort the King must accept Ministerial advice has now become universal, and that under no circumstances should the monarchy be regarded as an independent source of political authority.

Without attempting any dogmatic resolution of these disputed issues, one may assert one or two uncontested points. In the first place, the usages of the constitution

\* John Buchan's *The King's Grace* (1935), p. 77.

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have moved in the last generation still farther in the direction of emphasising the non-partisan character of the Crown, and of removing to the farthest confines of politics the occasions for any possible personal intervention by the King. A Sovereign to-day who took the letters of Queen Victoria as his constitutional guide would very frequently find himself confronted with political crises. Even the most recent precedents must be scrutinised jealously. In the second place, illustrations drawn from Dominion experience may suggest false analogies. In the Dominions the representative of the Crown holds his office for a short period only, and is easily removed at any time. An error of judgment in a crisis has consequences far less serious to his office than would be the case with the King in the United Kingdom, where the attempt to dissociate the office of King from the person of the occupant for the time being is much more difficult, and where a false step by the individual on some great occasion may have consequences of indefinite duration.

In the third place, the attribution to the King of a personal discretion to be used in great emergencies postulates in the wearer of the Crown exceptional qualities of penetrative analysis, objectivity, firmness, and level judgment. Hereditary succession has manifold advantages, not least that the future Sovereign may undergo from early childhood a training appropriate for his eventual task. The Empire was fortunate beyond estimate in having, during the long reign of George V, a King whose temperament, character, ability, and judgment were well proportioned to meet critical situations. But there can be no guarantee of the invariable maintenance of such qualities. Not every King or Queen is tempered after the same fashion, or is equally fitted to interpret, when passions run high, the long-term will of the nation. To give effect to the will of the people must in the last analysis be the object of all political power; that is the fundamental principle of political democracy.

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From this area of disputed authority, however, we may profitably turn to the agreed functions of kingship. Indeed we have dwelt at such length upon the points of controversy only because in the minds of many the continued survival of a personal authority in the monarch would threaten his position even within what may be called the area of complete agreement. For the supreme function of kingship to-day is to personify the nation, as distinct from any one party or any one class. To do this is rendered far easier by the immense longevity and continuity of the British monarchy. No party, no parliament, created the kingship. It comes down to us from our dim beginnings and, with the one seventeenth-century exception, our political contests have assumed the existence of the monarchy and decided merely the conditions under which the kingly office should descend and be exercised.

The representative function of kingship becomes both more difficult and more significant with the emergence of class-conscious politics, and with the threat to political democracy as a system of government that comes from the dictatorships in the one-party state. The King personifies a wider loyalty, within which political disputes may lose some of their bitterness, and even the extreme partisan display something of forbearance and the spirit of accommodation. This aspect of kingship has been eloquently stated by the present Governor-General of Canada.\*

The King is of no class, being above classes; he is as much akin to the worker in the mine and to the labourer in the field as to the highest nobility. He can have no party bias, for his only bias is towards the whole people. He cannot initiate policies, though he creates the atmosphere that makes policies feasible. . . . Pinnacled above all, he is yet closer to the national consciousness than even the most famous Minister. His duty is not to act but to *be*, to represent the ultimate sanctities of the land which endure behind passing fevers and bewilderments. . . . [The monarchy] is the mystical indivisible centre of national union. It is the point around which coheres the nation's sense

\* *The King's Grace*, pp. 12 and 13.

## THE KING AND HIS PEOPLES

of a continuing personality . . . the symbol of their past achievement and their future hope.

So long as the King fulfils these functions it would be hard indeed for party-worship and *Führer*-worship to take firm root. "The importance of the integrity of the British monarchy," said Mr. Baldwin in the speech already quoted, "is, beyond all question, greater than it has ever been, being, as it is, not only the last link of empire that is left, but the guarantee in this country, as long as it exists in that integrity, against many evils that have affected and afflicted other countries". In more direct language, the kingship is one of the most potent influences to-day for the preservation of political democracy in each of the countries of the Commonwealth. Of course, in order to discharge these high functions, the King must possess the affection and respect of all classes. Just because he is the king of the whole people, it is peculiarly important that the King, in his own character and life, should represent and personify the moral tradition which his peoples, throughout the Commonwealth, have inherited as a vital part of their common culture.

This representative character of the King's office is the key also to his function in relation to the peoples of the Commonwealth as a whole. Here, too, as within each of his communities separately, he represents, personifies, symbolises, in his own person makes visible, real and comprehensible, the whole as against the parts. Though between the nations of the Commonwealth almost all the questions are at issue that vex international life generally, nevertheless in their loyalty to the one King these nations are united. The King is king of each of his peoples : but he is also king of them all. By his very existence, he makes it easier for his subjects everywhere to see their own nation against the august background of a wider international community, to which also their loyalty is due. In a world disintegrated by the claims of nationality, this kingship—older than even the Parliament at Westminster—

## THE RÔLE OF KINGSHIP

is the last surviving, but the still continuing, organ of a unity that transcends nationality and is deeper than any alliance.

Throughout the whole of the Commonwealth, the doings of the King and Queen and the royal family are "news", read and discussed with keen personal interest. Stories of the visits of members of the royal family to a Dominion are treasured and have a brisk currency. Indeed for very many plain citizens the King and his family are the real and only centre of their active interest and pride in the Empire. The King has also his personal representatives in the Dominions, and by fulfilling the same kind of function as His Majesty a popular Governor-General or Governor can do much to express the spirit of the whole imperial community. But, as things are, the King's representatives will probably do this less and less, and in any case their office can never have anything approaching the glamour of royalty itself. The Empire must rely more and more upon the King's own person. Nor is it easy to imagine any head of the state in Great Britain, other than a king, who could satisfactorily unite the whole Commonwealth in his person. Someone nominated by the political party in office in Great Britain for the time being, someone elected by popular vote in Great Britain—call him by whatever title, give him whatever legal status, and invest him with whatever dignity—could not symbolise the whole Commonwealth, and could represent Great Britain alone.

In describing the King's function in relation to his peoples individually and collectively, we have spoken frequently of "the whole Commonwealth". There is, however, a correction to be made. What has been written has not at all accurately described the King's present relation to his people of Ireland; to be precise, to his people of the Irish Free State. That relation, as modified by the nationality enactment of 1935, by the constitutional amendments and by the succession legislation of December last, was summed up in the last number of

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THE ROUND TABLE \* with "the Irish republican kingdom" for rubric. The new Irish constitution,† published at the beginning of May, does not seem to make that description inappropriate. In general, it may be said that nobody in the rest of the Commonwealth would wish to insist on strict compliance with the constitutional forms customary in the other Dominions as the price of the Free State's membership of this free association of equal nations. There are some constitutional novelties in the new documents, to be sure; but flexibility and adaptability in constitutional forms have been among the characteristics of the British peoples throughout their history. Not conformity in the formalities, but co-operation in the things that matter, is the real test of membership in the British Commonwealth of Nations. If the Free State severs its association with the rest of us, it will be by its own act alone.

### V. LINES OF DEVELOPMENT

IF the King is to be able effectively to discharge the vital representative functions that his office has come to require, his life and work must be reviewed in relation to the demands that his peoples make upon him. On the one hand the strain of his task—physical, mental, and emotional—threatens to become intolerable. On the other hand, he will need to come into closer touch with his peoples outside the United Kingdom. Some revision will probably be necessary all round.

In connection with the coronation, one useful piece of revision has already been carried out, which makes clear the existing position, and at the same time removes misunderstandings. There are said to be some twenty millions of Roman Catholics among the King's subjects, mainly outside the United Kingdom. In a few communities they are in the great majority, in many more they form a substantial and fairly coherent minority. Roman Catholics will

\* No. 106, March 1937, pp. 348-356.

† See below, p. 588.

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generally agree that the maintenance of the Protestant succession is a reasonable principle. But the terms in which ever since 1689 the coronation oath has been framed have suggested to many of them a sectarian bias: an impression sharpened by memories of George III's fantastic scruples. The King has hitherto been asked: "Will you, to the utmost of your power, maintain the Protestant reformed religion established by law?" Now there is no religion "established by law" outside England and Scotland. For the coronation of King George VI the oath was accordingly amended so that the King's promise was simply "to maintain *in the United Kingdom*" the established Protestant religion—episcopal in England and presbyterian in Scotland. Thus expressed, the oath has clearly no relation at all to the oversea Dominions, as the Prime Minister of Australia—himself a Roman Catholic—explained. In the United Kingdom itself, the King's pledge is indeed a part of his representative character, and his personal religious connection is no bar to the fullest loyalty in any part of the Commonwealth.

To bring the King into closer touch with the life of his peoples in the Dominions clearly requires some provision for royal visits overseas. Only the tiniest proportion of the inhabitants of the Dominions can expect to visit the Mother Country themselves. Broadcasts, indeed, may do something to bring His Majesty into personal touch with his subjects abroad: the Empire's response to the messages of King George V showed that. But the eye is at least as important politically as the ear. Nobody who has marked the effect upon imperial sentiment of the visits of royal princes in the present century can doubt the immense value of visits from a reigning Sovereign. It may be recalled that only once in this century has any part of the overseas Empire been visited by a king in office—on the occasion of the coronation durbar at Delhi in 1911. The strain of oversea travelling, in the conditions that almost inevitably apply to royalty, is very heavy, and what is

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possible would necessarily vary as between one Sovereign and another. A beginning might be made, however, at intervals of perhaps a couple of years, with a visit to one Dominion at a time. The strain of such journeys could be sensibly lessened by the provision of more suitable accommodation. If a warship is essential, for reasons of speed, of tradition, and of ceremonial dignity, it could at least be set aside as a royal vessel, and suitably reconditioned amidships, with good provision for offices and a civil staff.

In the Dominion itself, what is suggested here is that the visit should be not so much a sight-seeing tour as a temporary resumption, in person, of the governmental functions ordinarily performed in the Dominion by His Majesty's representatives. (Only the constitution of the Union, it may be remarked, already provides for such a contingency.) The King could, perhaps, open a Parliament (or Parliaments), and in general would carry out the same kind of duties as he performs when he is in the United Kingdom. There would, of course, be some frantic local jealousies at the inevitable omissions from such a programme; but they would be insignificant on any long view.

Such visits would of course require a great reduction of the burden of kingship in the United Kingdom. There would have to be some easily-worked provision for the discharge of the King's United Kingdom functions by deputy during his absences. A review of the position is in any case essential, for the burden of the King's official duties as the head of the Government in the United Kingdom has become almost insupportable by a conscientious monarch. The number of governmental acts that require the King's personal participation could probably be reduced by mere administrative arrangement, without legal change. The practice of giving the Royal Assent to Bills by commission might properly afford a precedent for similar action in other directions. If it is understood that it is the King's duty to make himself fully acquainted with the

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now terrifying mass of Cabinet papers that is circulated daily, the understanding should be revised. In the interest of the King himself, it may be wise to examine courageously the practical aspects of the relations between the King and his Cabinet, in the light of the fact that government must be in his name and not upon his authority. A king in slavery to his desk is not what his peoples need. In general it might be possible to emphasise the imperial rather than the local functions of the King, even in the United Kingdom. The Regency Bill \* does indeed make provision for carrying on the royal duties in the case both of incapacity and of absence from the United Kingdom. It might even be found possible to go further, and to provide for some continuous exercise of certain of the King's duties by deputy in the United Kingdom, even while the King is present there, with the object of setting the King himself as free as possible for action in his imperial capacity, as the symbol of the free association of the members of the British Commonwealth of Nations.

Finally, with an eye to the growing egalitarianism of social life, not only in the Dominions, but also in the United Kingdom, the ceremonial side of the monarchy should be scrutinised afresh. Nice judgment is required. Monarchy requires its ceremonial: too little is as injurious as too much. Changes in a sound direction have already been taking place; but perhaps further modernisation and simplification would be possible. The rigorous etiquette of Court dress is being relaxed, though persons who choose the available alternatives to the traditional vestments will scarcely yet feel at their ease. Thousands of ordinary people draw, from what they see, a possibly exaggerated impression of the extent to which the Crown is identified with a small wealthy and exclusive social circle. Quite small matters, such as the extent and nature of the escort provided for their Majesties in the streets, need some consideration. The wish of King Edward VIII to simplify

\* See *THE ROUND TABLE*, No. 106, March 1937, p. 257.

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all royal ceremonial awoke a sympathetic response in very many quarters, and the ground thus entered could usefully be more thoroughly explored. The suggestion in the last number of *THE ROUND TABLE* that in selecting the King's household and personal staff some thought should be given to knowledge of the Dominions may here be made again. In every direction the opportunity should be taken of a new reign to scrutinise established traditions and routines. The King must to-day be not merely "the people's King". He must be the King of all his peoples.

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IT is becoming steadily clearer that the main obstruction to the settlement of the world to-day is what may be called the German problem. There are, indeed, other difficult problems, notably in the Far East and in the Mediterranean zone, but not only is the problem of Germany the most serious in itself : if it cannot be solved it may lead to a crisis in which the risk is not merely local war but world war. If Germany, through some internal or external adjustment, could be reconciled to her neighbours and to Europe, the fever of rearmament would almost certainly die down, the threat of world war through the marshalling of two great alliance systems would begin to disappear, the Far Eastern and Mediterranean problems would themselves become much easier to handle, and the world would probably find the League of Nations an adequate instrument for the settlement of still outstanding problems. It is the purpose of this article to try to assess what the German problem is.

### I. THE INDICTMENT

THERE are, speaking broadly, two views about national-socialist Germany. According to the one, the Germans are different from other Europeans. They are fundamentally domineering and aggressive. They submit readily to political dictatorship at home, and have no hesitation about establishing their own dictatorship over others abroad, if they can. From the earliest times the Germans have manifested a streak of arrogance and brutality which comes rapidly to the top whenever they gain power. Even in the days of Tacitus the Roman commanders reported that the Germans would be content with nothing

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less than the domination of Europe; that, while the Gauls, the Britons, the Spaniards, and other races would respond to generous treatment, the Germans mistook it for weakness and used it as an opportunity for fresh demands. The Germans, in short, respect nothing but force. Force, therefore, is the only weapon that can be successfully employed against them. If they are to be kept quiet they have to be overawed.

In more recent times, according to this view, this characteristic has become incarnate in the Prussians. The rest of the Germans—the Saxons, the Bavarians, the Rhinelanders—have become civilised, lovers of art and literature and music. Civilised as they may be, however, they have never learnt the art of politics or how to resist the brutal violence of Prussia. Frederick the Great made Prussia the most powerful state in the German world. Bismarck, by excluding Austria, created the empire of Prussia in Germany. National-socialism, according to this view, is Prussianism incarnate, intensified by the dogmatic racialism that its Austro-German leader imbibed on the frontier between Slav and Teuton. Prussia, moreover, has done more than learn how to apply violence: it has made violence the creed of a new religion. While the teachings of Machiavelli are the cynical counsels of a sophisticated man of affairs, who saw that the world is not what the simple-minded believe, but is largely controlled by cunning, deceit, and force, the German doctrine, expressed in its most absolute form in Hegel's identification of the ideal with the Prussian state and in the writings of Nietzsche, makes violence an end to be worshipped in itself. It is might itself that is right: it is power that makes its own laws. Thus the greatest nation is the nation best equipped to use force—through the blind obedience of its citizens to the state, through discipline and organisation for purposes of war, and through the ability of its rulers, when the opportunity comes, to strike ruthlessly and decisively at every rival Power.

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All these characteristics of the religion of force, according to this view, have reached their climax in national-socialist Germany. The gospel of national-socialism is Herr Hitler's book *Mein Kampf*, and this book is interpreted to mean that the objective of his policy is to create a German power that will be able to dominate all Europe, shrinking from no subterfuge or violence as the means whereby this goal should be attained. The instrument of that policy is the totalitarian state, in which all power is concentrated in the hands of the Fuehrer and the party leaders, every form of political opposition is ruthlessly suppressed, and education, propaganda and the press are mobilised and controlled, to produce blind credulity and obedience in every citizen. The totalitarian state not only enrolls every citizen in some highly disciplined category of service, such as the labour corps, or the army, or the women's service units, but also takes effective control of production, distribution, and exchange, and organises them in the service of war. It is not afraid to challenge both the universities and the Christian churches, by expelling professors or clerics who are unwilling to obey, and by suppressing forms of education that may compromise its own control; nor does it shrink from drilling all youth, both male and female, in youth organisations which, in practice, substitute the worship of the German state and the German race for the older loyalties to truth, justice, and the Christian God. The logical outcome of national-socialism, indeed, is to be found in Ludendorff's recent book, *The Nation in Arms*, in which he sets forth the doctrine of a madman, that the sole end of man is war. He describes how it is possible by propaganda, organisation, and the ruthless use of the police to prepare for that total war which, in his view, it is the main object of the totalitarian state to begin without warning and to win by the shattering completeness of its offensive and the matchless courage of its soldiers.

## THE DEFENCE

### II. THE DEFENCE

THAT is one interpretation of Germany. Here is the other. If Germany, throughout her history, has been a military nation, that has been because the existence of the German people depended upon it. Situated on the great central European plain, without natural frontiers, confronted by the glacier-like pressure of the Slavs on the east, and on the west by the constant efforts of France to keep her weak by exploiting her internal divisions, Germany has in fact been the battlefield of Europe. During the wars of religion her population fell from 30 millions to 7 millions through war and famine. Only when Germany has been united under a strong leader has she known prosperity and peace. For centuries the unification of Germany was delayed, partly by pursuit of the will o' the wisp of the Holy Roman Empire, and partly by the policy of dividing Germany that was first formulated by Richelieu. At a time when feudalism was consolidating into national kingship in the west, and the beginnings of the Russian Czardom were being established in the east, the Holy Roman Emperors were selling immunities and independence to their feudal subordinates, in order to obtain the means to prosecute their claims to authority as Emperor against the Popes in Italy and their rivals in Germany itself. As a result, at the time of the French Revolution and Napoleon, Germany consisted of 300 mostly petty sovereignties. After Napoleon had passed, the German confederation still consisted of twenty-three sovereignties. It was the impotence of the German confederation that drew from Bismarck the famous dictum that the German problem could be solved only "by blood and iron". Eventually, by means of blood and iron, he established the German Empire in 1871 at the price of throwing the Habsburgs outside it.

Though he made concessions to democracy by introducing a Reichstag based on universal suffrage, Bismarck

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established Germany fundamentally as a military state; for, situated as she was, she could exist only as a military state. The army, and not natural geographical features, was her frontier to both east and west. After Bismarck's fall, Germany, having won her position in Europe, began to seek one in the outside world also. She built a great navy to enforce respect for her claims as against England and France. But, however shortsighted the Kaiser may have been in building so vast a fleet, and however provocative Germany's *Macht* diplomacy may have been before the world war, it is patently untrue to say that Germany bears sole guilt for that catastrophe. She certainly did not assassinate the Archduke Franz Ferdinand, and it was the mobilisation of the Russian army that finally destroyed all hope of a peaceful settlement. The fundamental cause of the war was the anarchy of Europe itself, which had not even a Concert of the great Powers. Yet the framers of the peace settlement excused themselves with the theory of Germany's sole war guilt. An impossible burden of reparations was placed upon her. Her colonies were taken away. She lost one-seventh of her European territory and all her foreign investments. She was, moreover, permanently disarmed, and compelled to leave her western frontier demilitarised and exposed to a threat at the Ruhr by France.

Defeat, however, enabled the people of Germany to overthrow Kaiserdom and the dominant Prussian tradition. Germany wholeheartedly joined the company of democratic nations. Yet, in its battle to discredit the adherents of the old régime, the republic was given little help by the former Allies. On the contrary, their acts played into the hands of the enemies of the republic. Not only were the terms of the peace tremendously severe, but in 1922 M. Poincaré, pleading a technical default in reparations, invaded the Ruhr against the protests of Great Britain—an act that did more harm to Germany than the loss of the war itself, and gave its real strength to the national-socialist

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movement and justification to the doctrine that force alone counted in Europe. The Locarno settlement, which followed, improved international relations in Europe and gave an opportunity for a real settlement. But the opportunity was not seized. The reparation claims were maintained for another five years. Apart from the scaling down of reparation annuities and the slight advancement of the evacuation of the Rhineland, no attempt was made at a revision of the treaty settlement. The Locarno treaties themselves could not be the foundation of a lasting peace, because they maintained the unilateral disarmament and demilitarisation provisions of the Treaty of Versailles, and provided for no disarmament by France and her military allies. Then came the depression, which ended reparations but also led to the rapid overthrow of the republic by Adolf Hitler. The next turning-point was the rejection by France, under M. Barthou, of the German offers to be content with an army of 300,000 men and a moderate air force. Finally, through acts that violated the Treaty of Versailles but were capable of moral justification, Hitler recovered for Germany full "equality" among the nations by rearmament and by remilitarising the Rhineland.

On this view, if Germany is a military nation and has no illusions about the part that force plays in world affairs, it is not because of any special wickedness in the German people, but partly because of the conditions imposed upon her by history and geography, and partly because of the continuous humiliations she suffered at the hands of France and her allies for fifteen years after the war. Only by recovering her military strength and discipline and an authoritarian government has she been able to escape from the unilateral discrimination of Versailles. In this light, national-socialism is at heart a temporary movement of compensation for the inferiority complex from which Germany has suffered by being made an outcast among the nations since 1918. It has its good features in the discipline, physical training, national self-confidence, unity and order

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it has given to the German people. It has its bad features in the persecution of minorities and the constant emphasis on blind obedience to authority rather than the capacity of the individual to think for himself. If this view is correct, the road to a settlement with Germany is to recognise that her status in the world must be that to which a nation of her power and culture is justly entitled. We should therefore adopt the friendly attitude that will do most to enable the moderate forces within her once more to prevail, and will take away from the extremists their principal argument for huge armaments. Then, according to this view, Germany will settle down to the good-neighbour policy implicit in the League of Nations.

### III. GERMANY TO-DAY

**A**MID these conflicting opinions it is not easy to form a clear judgment. But neither of the two interpretations set forth above would seem to be the whole truth. On the one hand, the first interpretation disregards the profound effect on Germany of her experiences during the last twenty years, and of the Nazi revolution itself. The old Prussia was a monarchical, feudal, and military despotism, trained in the traditions of Frederick the Great. The new Germany is essentially a popular Germany. The arrogance of officer and official has disappeared. Hitler's power derives from his hold on the masses. That hold has been tested at regular intervals by plebiscites which—whatever allowance may be made for intimidation, for the disfranchisement of Jews and others, and even for possible exaggeration in the official returns—have recorded overwhelming support for the Fuehrer and his policy. The socialist aspect of national-socialism is a reality, not so much in the technical sense of nationalisation of land and industry, as in the sense that the purpose of the régime is to benefit all Germans and not an exclusive caste.

On the other hand, much as a great many Germans may

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dislike the secret police methods and other repressive aspects of the new régime, modern Germany as a whole certainly does not believe in the virtues of democracy as she has experienced it hitherto. The democratic system is inseparably connected in German minds with the period of humiliation and disaster after 1918. It proved unable to recover for Germany "equality" or freedom to arm herself and manage her own internal affairs as she pleased. It is associated with that undisciplined personal licence which expressed itself in the moral degeneracy of sections of post-war Germany, with the multiplication of political parties in the Reichstag and the consequent instability of government, and with the inflation of 1923 and the subsequent deflation, which exposed the people to exploitation by profiteers, among them Jewish profiteers. From this point of view, national-socialism, as a movement through which citizens dedicate themselves to the service of the community—the German *Volk*—is a 'healthy corrective to the excessive and selfish individualism of the democratic and capitalist era.

All this does not make national-socialist Germany any less formidable. If the purpose of the movement is to develop a healthy, disciplined, public-spirited Germany, possessed of equal rights with all other great nations, it is also imbued with the idea that the glorified state, imposing universal discipline, is the method whereby its ideals will be realised, and that power is the mark of greatness and the road to achievement. Modern Germany is not militaristic in the old imperialist sense of the word. Her people do not want war for its own sake. But she is strongly military and will not shrink from the use of her tremendous power if she thinks that is the only way to secure her legitimate rights. Further, the dictatorial form of government, with its control of the press, its suppression of contrary opinions, and its national regimentation, gives to those at the head of affairs a freedom of decision and initiative, and a menacing power of propaganda, unknown

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in democracies where a free public opinion ultimately controls policy through a free press, free elections, and a free parliament.

### IV. AT THE BRINK OF A PRECIPICE

**T**HREE is no doubt that the process of the recovery of "equality" by Germany is now entering its inevitable second stage. The first stage was the shaking off of the shackles of Versailles. During this stage the principal obstacle was France, who regarded such unilateral discriminations against Germany as the only method of ensuring her own security and the stability of the post-war European settlement. In her effort to rid herself of those discriminations, Germany was able, in effect, to rely upon the support of Great Britain. It was British sympathy for Germany's claim to equality that saved Hitler's re-introduction of conscription and re-occupation of the Rhineland from producing more than diplomatic explosions. Germany, however, now that she is free from the restraints of Versailles and is recovering her strength, is beginning to demand "equality" in a more expansive sense of the word —the kind of position in the world that she thinks appropriate to a great Power, compared with that of other great Powers. She is once more asking for her place in the sun. That is a complex demand. It relates to the position in eastern Europe; it raises the colonial question; it has its economic side; and it concerns, more generally, Germany's status and influence in the counsels of the nations.

There is nothing wicked or malignant in this demand in itself. The severity of the Versailles settlement and the repudiation of the thesis of sole war-guilt made its emergence eventually certain. But it is highly inconvenient and disturbing to more fortunately situated nations, and it is very dangerous in face of the inherent difficulty of peaceful treaty revision, on any considerable scale, especially revision of territorial frontiers. Moreover, it

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tends to bring not only France but also Great Britain into the picture as the obstacle to what Germany regards as her legitimate right.

The answer of France to Germany's repudiation of the unilateral military discrimination of Versailles was to reject Hitler's offers to be content with moderate rearmament, to add Russia to her eastern European allies, to bring Italy into the ill-fated "Stresa front", and later to secure from Great Britain, in replacement of Locarno, a new guarantee against unprovoked aggression in the West. Her hope was to form a military combination of sufficient strength to maintain the *status quo* and to deter even an armed Germany from attempting to modify it by force or *Machtpolitik*. This combination, however, has proved of doubtful worth. Russia is 500 miles from the German frontier, and her army is probably of little value outside her own borders. And Italy, largely thanks to the Abyssinian episode, has practically gone over to the German side.

But the strength or weakness of the French system is not the whole story. Recently many of the German leaders, who have hitherto been extremely cordial in their attitude towards Great Britain, have begun to feel that ultimately it is the British Empire that stands in the way of a solution of Germany's difficulties and the meeting of her legitimate claims. Germany is acutely aware of the disproportionate territorial place she occupies in the wider world. Almost every other great Power has either, like Russia or the United States, far larger resources within its own borders, or colonial possessions to exploit, like Great Britain, France, Italy, Japan, or even smaller Powers—Holland, Belgium, and Portugal. None of these Powers—naturally enough from their own point of view—is ready to hand over any of its colonies to Germany.

At the same time, Germany feels that there are adjustments to be made in Europe itself. Danzig and Memel are German cities. The Austrian people, she complains, are not allowed to decide their relations with Germany

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for themselves. The Germans in Czechoslovakia and Poland are still, in their own view, treated as oppressed minorities, very differently from the manner in which British minorities are treated in countries they inhabit overseas. No doubt the first obstacle to the solution of these questions in a manner satisfactory to the new high-spirited Germany is France and her eastern allies, with Russia in support. But the unwillingness of that combination to make concessions is reinforced by the belief that Great Britain tacitly stands behind the *status quo* both in Europe and in the colonial sphere. Great Britain, therefore, in Germany's present mood, is beginning to appear to her once more as the ultimate obstacle that prevents her from getting what she regards as her just rights.

Of course it is easy to produce a score of arguments on the other side. The extreme racialism of the national-socialist movement, its treatment of the Jews and of its own internal opponents, are alone almost a sufficient counterweight, in many people's eyes, to Germany's claims to control fresh territories and their inhabitants. But the serious fact is that we are witnessing the reappearance of the dilemma that confronted European statesmen, particularly British statesmen, at the beginning of this century—a dilemma that led eventually to the pre-war alliance system and the world war.

In some ways the situation is less dangerous than the equivalent situation in 1904. Germany was then intent on building a navy to rival the British navy. She has now accepted, for the time being at least, a ratio of 35 per cent. Pre-war Germany was violently imperialist, and as such suspicious of and hostile to Great Britain. Modern Germany, on the contrary, is at heart extremely friendly towards Great Britain. Friendship with England is a first article in Hitler's creed, and the friendliness of the mass of the people towards the English, whom they regard as a kindred race and their only friend since the war, is manifest to every visitor. The German people are not to-day jealous

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of or hostile to the British Empire or resentful of its re-armament. They regard it as a bulwark of stability and of civilisation in the world.

In some ways, however, the problem to be solved is more difficult than before the war. As a result of Versailles, Germany occupies a far smaller place in the world than she did in 1914. The loss of her colonies, her foreign investments, and one-seventh of her European territory is the more seriously felt because economic nationalism is everywhere stronger than in 1914. It is more difficult for Germany—as it is for every other country—to purchase by exports to the outside world the supplies she cannot produce within her own boundaries. Moreover, the armaments race is already far more intense than it was in 1914, and Germany is better equipped than ever before, physically, psychologically, and governmentally, to use force to achieve what she believes to be her legitimate ends.

There is the dilemma that confronts the statesmanship of the world. The errors of the Versailles settlement and the post-war treatment of Germany have come home to roost. Modern Germany is nationalist, not imperialist, and is quite prepared to recognise the rights of other nations and their title to live. She does not want war, for she knows what modern war means. Her people, indeed, are opposed to war. But Germany is dissatisfied, and she is determined sooner or later to get what she believes to be her rights. The national-socialist revolution and its aftermath during the last five years have profoundly alarmed all her neighbours. They suspect Germany's intentions. They suspect her methods. They do not know what her ultimate demands may be. To the natural selfish reluctance to give anything away is added the belief that concessions now would be only Danegeld. They feel that they must rearm and stand together to resist their own destruction and the spreading of an anti-social creed.

A reconciliation between the German and non-German points of view is not impossible, if common sense and

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goodwill can prevail on both sides. If Germany really accepts the national independence of the true nationalities of eastern Europe, just as Great Britain accepts the independence of the Dominions, it ought not to be impossible to transform the eastern European situation so as to satisfy Germany's legitimate desires. And, provided the strategic and the economic aspects of the colonial problem can be kept separate, a solution may perhaps be found which would be out of the question if great territorial changes were necessary. The first condition of relaxed tension and a cessation of armament competition is that the whole problem, and the tremendous dangers it involves, should be far more seriously considered than has yet been the case. Nothing but good could come from personal contacts between responsible leaders. The difficulties in the way of a settlement are clearly very great, but precisely because they are great they can be surmounted only when relations of understanding and confidence exist between principals on both sides.

Not until a full explanation of motives and viewpoints has taken place will it be possible to arrive at conclusions about the future. If an agreed settlement proves to be possible the world will move into smooth waters and the League will revive. If an agreed settlement is not possible, we shall at least know whether the obstacle lies with Germany or with her neighbours or with ourselves. We shall be in a better position to judge whether our right policy is a refusal to join either side in a new European alliance system, and an attempt to isolate any European war, if it comes, by preserving neutrality alongside the United States, or whether peace can better be defended by our undertaking precise obligations against aggression in Europe. Public opinion in the Empire—this at least is clear—will be reluctant to enter into any such commitments until a fresh attempt has been made, in all sincerity, to reach a just and agreed settlement.

# EMPIRE TRADE AND WORLD TRADE

## I. THE ROAD TO FREER TRADE

BY the time this article is read, the immediate future of imperial trade arrangements will probably have been decided by the assembled statesmen of Great Britain, the Dominions, and India. If, therefore, the problem of Empire trade to-day were merely a question of revising the details of the Ottawa agreements, this moment would be either too late or too soon to discuss it in *THE ROUND TABLE*. But that is only one corner of a complicated pattern. The real issue is the contribution the British Commonwealth is to make to the future of world trade. The need for tackling that issue is urgent; the opportunity is ripe. The revival of international trade lags behind internal recovery all over the world. Few countries are more damagingly affected by this than Great Britain, and with her the nations that rely upon her purchasing power. To some extent, no doubt, the check to international trade is a lasting one; barriers have been imposed, not only for economic but also for political and strategic reasons. Hence no complete solution is possible that does not include a political settlement and a relaxation of the fear of war. Yet one of the causes of political tension is economic difficulty, and a lowering of trade barriers is a necessary step in the approach to political settlement. This imposes a special responsibility on economically powerful nations like Great Britain and the United States; for in the advance towards freer trade conditions they can—and must—move a pace ahead of countries whose sharper need has driven them to adopt abnormal methods of economic defence.

## EMPIRE TRADE AND WORLD TRADE

The opportunity for such an advance arises, fundamentally, out of the rise in prices and the revival of national economies. Cheap money, government spending policies, the amazing elasticity of the capitalist system, the inflation of the price of gold, the many-legged scramble towards currency realignment—these and other forces have checked and reversed the vicious revolution of unemployment, bad trade, and low prices. Experiments can now be made, and risks be taken, that were unthinkable five years ago. Governments that were then preoccupied with saving their currencies from collapse and with finding almost any means, sound or unsound, of stemming unemployment are now concerned with entirely different economic problems. They are exercised over the dangerous possibilities of the boom; they are wondering how the active demand for labour can be diverted from inflating costs in the more prosperous industries (including those making armaments) into sponging up the reserves of chronically idle labour in the less prosperous trades and areas.

In the international field a number of developments have prepared the way for a further and wider effort. They include the three-Power monetary agreement \* and moves made by the Oslo group, by Germany, and by the United States. It is the purpose of this article to examine the more important of these signposts on the road to freer world trade.

### II. THE GOLD BLOC SIGNPOST

IT is one of the paradoxes of practical economics since the slump that over-valuation of currencies, though obviously associated with internal depression, has not been associated with declining balances of external trade. On the contrary, it is countries like Great Britain and the United States, which stole a march on the gold bloc in monetary policy, that have seen their imports rising faster than their exports. Protection by tariffs and quotas was a successful

\* See THE ROUND TABLE, No. 105, December 1936, pp. 39-53.

## THE GOLD BLOC SIGNPOST

element in the deflationary defence of gold bloc economies. Hence the ending of the gold bloc brought about a new paradox: in order to compensate for the protective and price-raising effect of the cheapening of their currencies, it was necessary for France and her monetary associates to lower their barriers against imports; yet experience showed that the internal reflation rendered possible by devaluation would itself serve to expand imports and possibly to retard exports. Weight and counterweight would be thrown into the same pan of the scales. For this reason, devaluation offered a unique opportunity for a lowering of barriers outside as well as inside the gold bloc. The three Governments that signed the declaration of September 26 agreed that the success of the new monetary policy was linked with the development of international trade; in particular, they attached the greatest importance to the taking of action without delay to relax progressively the existing system of quotas and exchange controls, with a view to their abolition.

So far, the practical response has been rather disappointing. France and the other gold bloc countries, including Italy, lowered certain of their barriers to imports at the time of devaluation, largely with the object of checking the expected rise in internal prices. The United States and the Oslo Powers have persisted with their respective commercial policies, designed to further world trade. There have been other isolated developments, such as the relaxation of the quota system in Turkey. On the whole, however, there has been little to show. British policy has been, at least on the surface, curiously inert. On April 13 Mr. Neville Chamberlain told a questioner in the House of Commons that the Government were "not at present contemplating" negotiations with the United States and France for the conclusion of an economic agreement "covering a rather wider field and of a more permanent nature" than the currency understanding. Replying to a deputation three weeks earlier, the Prime Minister had claimed that the main obstacle to the development of

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international trade was the existence of exchange controls and of quota restrictions on industrial goods. In this regard the British Government was innocent. British tariffs, said Mr. Baldwin, had been imposed to prevent the increase of unemployment and to protect the standard of living in this country. He frankly resigned the initiative for a liberation of trade to countries that had developed their protective systems to a greater degree than had the United Kingdom.

In these somewhat stagnant marshes the spring of liberal energy that gushed when the three-Power agreement was signed has trickled away. A fresh channel, however, though perhaps a narrow one, was cut in April when M. van Zeeland accepted a joint Anglo-French invitation to "examine the possibilities of bringing about a relaxation of obstacles to international trade".

Meanwhile, the double loading of one side of the scales had had a striking effect upon France's external trade. In the first nine months of 1936, her imports had averaged 1,937 million francs a month, and her exports 1,182 millions. The adverse balance was thus 755 million francs a month. In the first five months after devaluation, while her exports increased to a monthly average of 1,657 million francs, her imports averaged 2,993 millions and the monthly adverse balance rose to 1,342 millions. Whether France can make up this extra deficit of nearly 600 million francs a month by means of higher tourist receipts and other invisible earnings, and by attracting the permanent return of capital, has yet to be shown. What is already clear is that the fall of the franc, instead of giving France the equivalent of added protection and an export subsidy, has greatly increased the value of her purchases abroad, while her exports, expressed in sterling, have remained almost constant.

France's internal economic changes, which have helped to bring this about, are none of the affair of her neighbours. But the political consequences of any deterioration of her economic position cannot be ignored. There seems no apparent alternative at the moment to the Popular Front

## THE OSLO SIGNPOST

Government, whose régime has coincided with a period of cordial and fruitful collaboration between France and Great Britain, especially over the Spanish war. Its collapse through financial and economic difficulties might possibly produce chaos in France, than which there could be no worse danger for European peace. This is, perhaps, a side issue, but it reinforces the hope that M. van Zeeland's mission will yield practical results, which will further the stability and prosperity of the democracies.

### III. THE OSLO SIGNPOST

IN the far-off days when "tariff truce" was the *mot d'ordre* in discussions of international commercial relations, the smaller countries of northern Europe—Belgium, Denmark, Finland, Luxembourg, the Netherlands, Norway, and Sweden—met together at Oslo. The result was the signature of an agreement, which went into force in February 1932, whereby each of the parties undertook not to increase its tariff for a period of one year without due notification of the increase to the other parties, who could then make representations and negotiate an equitable compromise. Not long after the Oslo convention had gone into force, three of its signatories, the Netherlands, Belgium, and Luxembourg (who was in customs union with Belgium), took a more positive step. They did so after conversations with the other Oslo Powers, but the latter preferred to postpone action until economic conditions were more settled; they had not long previously allowed their currencies to follow sterling on its downward course. In June 1932 the three countries mentioned signed the Convention of Ouchy-Lausanne, the key clause of which provided for the progressive reduction of tariffs on the trade passing between them. Such tariffs would be cut by 10 per cent. of their amount per annum until they had fallen to one-half their former level, subject to a minimum of 4 per cent. *ad valorem* on semi-manufactures and 8 per cent. on fully manufactured articles.

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The attitude of Great Britain and other countries towards this convention was obviously vital, since they could nullify it by insisting upon their most-favoured-nation rights. This question was taken up by the Commercial Relations Committee of the Ottawa Conference. Attention had been drawn, said its report,

to recent tendencies in foreign countries to conclude regional agreements between themselves for the mutual accord of preferences which were designed as being exclusive, and not to be extended to countries which were not parties to, or did not adhere to the agreements. On this point, there was a general agreement that foreign countries which had existing treaty obligations to grant most-favoured-nation treatment to the products of particular parts of the Commonwealth could not be allowed to override such obligations by regional agreements of the character in question. . . . The Committee recognised that the fact that rights are accorded by most-favoured-nation treatment does not preclude a foreign country from seeking the consent of the various Governments of the British Commonwealth to the waiver of their rights in particular cases.

The Ottawa Conference in effect agreed that group preferential arrangements designed to lower barriers to trade were a valuable exception to the most-favoured-nation rule. For it recorded the policy of the several Commonwealth Governments that treaties with foreign countries should not be allowed to interfere with imperial preference (that is to say, preference should override most-favoured-nation undertakings); and it declared that the easier flow of trade within the Empire, resulting from the Ottawa preferential agreements, would stimulate and increase the trade of the world. In contradiction of this theory, Mr. Baldwin told the deputation mentioned above that the creation of a low-tariff group was dangerous, because it would involve discrimination against non-participating countries, and might lead to retaliation and tariff wars. It would mean an end to the general application of most-favoured-nation treatment, to which the Government attached special importance.

Lately, the Oslo Powers have again come together to

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discuss possibilities of improving international trade. Their expert delegates met at the Hague and Brussels in March and April this year, and produced a new draft multilateral agreement. Since 1930 their economic and monetary policies had taken divergent courses in the face of depression. The Scandinavian currencies followed and overtook the depreciation of sterling; Belgium, after four years of deflation, went off the gold standard in 1935, the Netherlands not until September 1936. Belgium-Luxembourg and the Netherlands had adopted import quotas, Denmark a system of exchange control. The Scandinavian countries had all made special commercial treaties with Great Britain while linked with her in the sterling bloc.

The Oslo Powers taken together actually do more trade with Great Britain than they do among themselves, as the following table shows. Moreover, Great Britain's share, especially in their imports, has been rising.

*Trade of the Oslo Powers \* with each other, the United Kingdom, and Germany, 1929 and 1935*

(in millions of pre-1933 gold dollars)

	Other Oslo countries.		United Kingdom.		Germany.	
	1929.	1935.	1929.	1935.	1929.	1935.
Imports . . .	\$565	\$220	\$458	\$210	\$908	\$265
% of total imports . . .	16.2	16.7	13.1	16.0	26.0	20.2
Exports . . .	\$492	\$193	\$806	\$307	\$498	\$159
% of total exports . . .	16.6	17.1	27.2	27.2	16.8	14.0
Aggregate . . .	\$1057	\$413	\$1264	\$517	\$1406	\$424
% of total trade . . .	16.4	16.9	19.6	21.1	21.8	17.3

\* Belgium-Luxembourg, Finland, the Netherlands, Norway, and Sweden.

These figures make manifest the vital importance, to the group of low or moderate tariff countries of northern Europe, of their trade relations with the United Kingdom and with Germany. It is convenient, therefore, to examine in the next section the economic relations of Germany with the rest of the world.

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### IV. THE GERMAN SIGNPOST

THE crisis of 1929 and after imposed a complete reorganisation upon Germany's external trade. Since 1924, it had been adjusted to a large inflow of foreign capital—twice as great in the aggregate as the reparations that Germany paid in the same period. The rising rate of interest, the growing hesitation of foreign investors, and the superior attractions of the Wall Street boom dried up this stream before the depression seriously affected other European countries or the United States. In 1929, Germany managed to strike a balance between imports and exports, but without any margin to pay dividends and interest on the money she had borrowed, as well as reparations. Her short-term indebtedness piled up, and the panic crisis of 1931 drained her of gold and credit abroad. The standstill agreement of 1931 on short-term debts was followed two years later by a partial—now almost complete—embargo on the transfer of long-term debt service into foreign currencies. Germany has gradually installed a system of currency control extending to the most minute details of international traffic—trade, transport, finance, and tourism. She has used the system of blocked marks of many kinds (which of course stand at a large discount compared with free exchange) to subsidise exports, and occasionally to redeem her indebtedness on the cheap. She has also instituted a general system of export subsidies, financed by a levy on internal industry.

The course of her trade from 1929 onwards is shown in the following table.

(in billions of Reichsmarks)

	1929.	1930.	1931.	1932.	1933.	1934.	1935.	1936.
Retained imports	13·4	10·4	6·7	4·7	4·2	4·4	4·1	4·2
Domestic exports	13·4	12·0	9·6	5·7	4·8	4·1	4·2	4·7
Credit balance	—	1·6	2·9	1·0	0·6	—0·3	0·1	0·5

## THE GERMAN SIGNPOST

While imports have been kept fairly stable since 1931, exports fell steadily till 1934, and have since recovered. The improvement in exports is being more than maintained in 1937, but the extra foreign exchange is being consumed by the higher prices of imported raw materials. Self-sufficiency—the Four-Year Plan to make Germany independent of the outside world for her vital needs—was Herr Hitler's answer to the problem of Germany's trade balance. However successful this effort might be after a long period of experiment and capital development, it had barely begun when the rise in prices, combined with a bad crop year at home, undid everything already accomplished in economy of imports. Germany has had to adopt, for the time being, a different attitude in order to overcome her present difficulties.

That seems to be the significance of Dr. Schacht's visit to Brussels and other foreign capitals in April, and of the feelers he has been putting out towards a fresh commercial understanding between Germany and her neighbours. They will be only prudent if they approach with caution proposals that may be only a temporary means to an eventual end which is the very opposite of what they desire. It is the struggle for national self-sufficiency that is depressing the standard of life everywhere, and building up the conditions in which war and dictatorship flourish. Dr. Schacht may speak to-day with one voice, Herr Hitler to-morrow with another. Yet suspicion of Germany's ultimate intentions ought not to distract us from examining the realities of her economic position. While an economic settlement from which Germany stood aside would be no less valuable in itself than was the three-Power currency agreement of last year, an economic settlement in which Germany took part would be far more valuable still.

Some of Germany's difficulties are of her own creation. She has spent on the material for armaments resources that she might have spent on raising the standards of her people, on improving the efficiency of her industry, or even

## EMPIRE TRADE AND WORLD TRADE

on paying her debts. Anti-semitism and other aspects of Nazi policy have injured the goodwill of foreign traders and consumers. The deliberately chosen monetary policy of the Reichsbank has saddled Germany with an over-valued currency which handicaps her exports and makes it essential to barricade her economy behind a ring-fence of control over finance and trade. Nevertheless, it is well to bear in mind the reasons for that policy : a bitter memory of post-war inflation, an almost complete absence of gold reserves, a huge external debt which falls in terms of local money with every relative fall in the foreign currencies in which it is expressed, the prospect of a gigantic flight of capital—foreign, Jewish, and German—if the barriers to its movement were taken down. Any liberation of German exchange control can only be by slow degrees. And one pre-requisite is necessary before even a first step can be taken—fresh capital to provide monetary reserves and a margin for withstanding any deficit on the balance of payments. There are plenty of economic and financial reasons against a loan to Germany at the present time, but they are subordinate to the political reasons. Germany is an object of suspicion rather than confidence, and until that is changed she is incapable of making a successful appeal to the money markets of the world. The purely financial objections to lending to Germany could not be overcome unless the loan were guaranteed internationally. Which of Germany's neighbours is prepared to offer such a guarantee in the present state of European politics ? In a word, the problem of Germany's relations with the rest of the world is fundamentally a political problem, and her participation in an all-round economic settlement can come about only as part of an all-round political settlement.

### V. THE AMERICAN SIGNPOST

THE new phase in American commercial policy dates from the passage of the Reciprocal Trade Agreements Act in June 1934. The Act authorises the President to negotiate

## THE AMERICAN SIGNPOST

agreements for mutual benefit in trade, and for that purpose to alter United States tariffs, subject to certain limitations, by not more than 50 per cent. of their existing amount. The operation of this Act is associated with the much older American commercial policy of according unconditional most-favoured-nation treatment to all countries that do not discriminate against American goods. The majority of the treaties so far negotiated under the Act of 1934 are with tropical or semi-tropical countries, or northern timber-producers, exporting mainly raw materials and foodstuffs of a kind not grown in the United States and already entering duty free or over very low tariffs. Four treaties, however, have been concluded with industrial European nations—Belgium, France, the Netherlands, and Switzerland—which, like Great Britain, buy more from the United States than they sell to her, and export goods of a class largely competitive with her own.

The treaties do not indicate any great willingness on the part of the United States to allow greater freedom of entry to industrial products. In the French treaty, duties on 71 articles imported from France were cut, affecting roughly one-third of French exports to the United States; but the most notable items on the list were wines and brandy, Roquefort cheese and perfumes, rather than industrial products proper. Some of the articles concerned were not being produced in the United States in spite of high protection. In return, France cut duties on motor-car chassis, fruits, cash registers, machinery, and tyres, *inter alia*, and granted larger import quotas for other articles, including American specialities like typewriters and refrigerators. Switzerland received from the United States lower duties on watch movements, certain special textiles and machinery items, and a number of other high-valued manufactures of great importance in her trade. On the other hand, the Netherlands obtained practically no concessions on manufactured products, the chief United States imports covered in the treaty being cheeses, herrings,

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bulbs and seeds, and colonial products from the Netherlands empire. The advantages given to these countries have been neither insignificant nor relatively less than the advantages they in turn have provided for American exports; but they afford little direct encouragement to the hope that the United States is prepared to offer, in exchange for equivalent terms, a much wider market for British exports, most of which compete with American industry and now have to overcome very high tariffs in the United States.

The agreement with Canada is much the most important of the American trade agreements.\* Canada's chief concessions were to place United States goods under the intermediate instead of the general tariff, and to promise to abolish special customs valuations and other arbitrary increases of protection. She also conceded certain specific reductions in tariff rates. In return, the United States lowered her tariff on 13 per cent. of imports from Canada, and on a further 50 per cent. guaranteed the continuance of free entry. Here again, however, a hint has been given of the limits set by internal conditions upon the Administration's capacity to reduce tariff barriers. Strictly limited though they are, the concessions made to Canada on agricultural products have aroused vigorous protest among American farmers.†

The Roosevelt Administration lays great stress on its most-favoured-nation policy. It justly claims that this assists the general downward movement of tariffs by securing to all America's customers (save those that discriminate against her in their own tariff and quota systems) the same advantages as are accorded to any one of them by bilateral pacts under the Reciprocal Trade Agreements Act. A contrast is frequently drawn by American critics between this system and British commercial policy. As far

\* A full account of it appeared in *THE ROUND TABLE* for March 1936, No. 102, pp. 385-92.

† See *The Hull Trade Program*, by David H. Popper. Published by the Foreign Policy Association, New York.

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as the principle goes, the criticism is entirely unfounded—barring imperial preference, which in effect is equally part of American policy. Great Britain has as many most-favoured-nation treaties as the United States. The accusation, however, has more substance when it is directed against the spirit in which the principle is applied. There is a good deal in the charge that discrimination between different foreign countries has crept into Great Britain's quota system for agricultural imports, under the various bilateral trade agreements she has signed with Argentina, the Scandinavian countries and others. Indeed, the liberal purpose of the most-favoured-nation clause and the restrictive purpose of import quotas can never be easy bedfellows. However impartially adjusted, quotas based on past quantities of trade cannot fail to be discriminatory against efficient and expanding producers. The abandonment of quota restriction—the British Government has frequently denounced it when applied by other countries—and the substitution of straight tariffs, combined where necessary with direct aid to the consumption of home products, would be a sound first step towards a more liberal trade policy on the part of Great Britain. It would certainly be welcomed by the Dominions, who since 1932 have strenuously opposed the principle of restriction of efficient primary production.

A second charge against British commercial policy, by contrast with that of the United States, is that it has countenanced arrangements with debtor countries under which the proceeds of their net exports to Great Britain are earmarked for the satisfaction of British creditors. Great Britain has in fact entered into a number of clearing arrangements with this purpose. The policy can hardly be justified on purely commercial grounds, since experience shows that the usual effect of clearing systems is to diminish the total volume of trade passing. The defence must therefore be sought in financial grounds. Creditors have had a very raw deal during the slump, and if governmental

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protective policy is justified for industry it must have some excuse for finance, especially when debtor countries refuse to pay even though well able to do so. In many cases the trader and creditor have been the same; for the debts with which the clearing agreements are chiefly or wholly concerned are those arising out of past exports. Nevertheless, the system of clearings must be recognised as in principle an obstacle to freer trade, and therefore in the long run to financial security; for only in the deep waters of enlarged international trade can a vessel of so deep a draught as existing international indebtedness be floated, in whatever direction the current of trade may be setting. It must also be remembered that arguments about the rights of creditors are not readily accepted in the United States, where, as in Great Britain, an enormous volume of private foreign investment has had to be written off, and where the question of war debts still rankles.

Practically every thinking person in Great Britain would like to see the war-debt question settled. Practically no thinking person in Great Britain believes that it is possible to pay the full instalments due under the Baldwin-Mellon agreement, augmented as they now are by arrears in suspense. Opinions as to how much it is practicable to pay vary widely. Some would like to see a composition for a lump sum, to be raised by the British Government in American loan markets and treated henceforward as an ordinary item of the National Debt. Some would accept a scale of annuities based on the principle that the whole amount of the debt should be repaid, but without interest at any period, past or future, and possibly adjusted according to changes in the price-level. Others believe that a reasonable settlement would be the payment of annuities admittedly only "tokens" but nevertheless substantial—say, £10,000,000 a year. But the nature of a practicable war-debt settlement depends not only on what can be accepted by British public opinion—which, it must be confessed, rates the American attitude no more highly

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than American opinion rates the British attitude—not only on what can be raised by taxation or loan under an already strained budget, but also on two factors in the control of the United States herself. The first is the willingness of Congress to accept any reasonable settlement at all; if Congress insists on its full sixteen ounces of flesh, it is probably better to leave matters as they are.\* The second is the willingness of the United States to rectify her balance of payments in order to take payment in goods. This is not necessarily a bilateral problem; the important thing is not so much that the United States should expand her imports from Great Britain as that she should expand her imports as a whole. She has raised up one of the world's highest tariff barriers and has deliberately under-valued her currency. Fortunately, in President Roosevelt, Mr. Cordell Hull, and Mr. Wallace she has a group of leaders who have turned their faces against isolationism in economic life. The task that faces Great Britain and others of her neighbours is to make the most of the opportunity thus offered.

### VI. THE COMMONWEALTH'S RESPONSIBILITY

**T**HIS cursory survey of the economic position and policies of a number of Powers with whom, it has been urged, the British Empire ought to seek closer trading relations on a basis of freer trade all round has suggested two main conclusions. First, the economic conjuncture of the time, and the express anxiety of countries that formerly stood for an opposite policy to improve their trade relations with the world, create a more favourable opportunity for tackling the problem of world trade than has existed for the past eight or nine years, possibly much longer. Secondly, while there is reason to believe that such professions of economic liberalism sometimes outrun practical capabilities, the reluctance of Great Britain herself to take a lead in negotiations towards freer trade prevents

\* See the article by an American correspondent below, p. 605.

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these professions from being put to the test, and suggests to a good many observers, however falsely, that her policy is a major obstacle to progress. That this is an exaggerated view is clear from two facts: first, that the British tariff remains moderate compared with those of a great many foreign countries, including some of the countries held up to us to-day as examples of liberalism; second, that British imports have been increasing far more rapidly than British exports—largely, of course, as the counterpart of increased earnings from shipping and foreign investments.

Perhaps the British Government's chief difficulty in seeking agreements with foreign countries for a mutual lowering of trade barriers is the fact that many of the countries with which it has special reason to do so are leading competitors in our market with the Dominions and colonies, to whom we are pledged to give preferential treatment. This certainly applies to the United States, Argentina, and the Scandinavian countries; even France competes with the Dominions in wines and a number of other articles. This is not the place to argue once again the general issue of imperial preference, which is closely bound up with historical, strategic, and political questions, and cannot be considered on the economic plane alone. It is significant that in her recent reciprocal trade treaty with Cuba, the United States granted lower preferential duties on sugar which were not extended to other countries, the most-favoured-nation principle notwithstanding, on the ground of her special historical and economic relations with the Cuban republic. No foreign country has denounced imperial preference in principle. The practical issues concern the details of its operation.

Granted the acceptance of imperial preference, the problem of its relation to Britain's foreign trade can be expressed in two broad questions. First, how far is preference actually and directly responsible for the interruption of her trade with foreign countries since 1931? Between 1930 and 1936, United Kingdom imports from

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foreign countries fell by 30 per cent., from £740 million to £515 million; in the same interval, United Kingdom imports from the Empire rose by nearly 10 per cent., from £304 million to £332½ million. (On the export side, the figures were relatively more favourable to foreign trade, since exports to foreign countries fell by less than £100 million, while exports to Empire countries fell by £32 million.) How far, then, was imperial preference the direct cause of this diversion? The second question concerns the future rather than the past. Assuming that the economic advantage of preference lies in the development of freer trade relations over an area specially suited for profitable mutual trade, is the British Empire, either from the point of view of the United Kingdom or from that of the Dominions and colonies, a sufficient unit, or the best unit, for such a development?

In assessing the effect of British imperial preference on foreign trade, we are under two serious handicaps. First, there is the difficulty of distinguishing direct from indirect responsibility. There can be little doubt that the Ottawa agreements were the signal for a further raising of tariff and quota barriers by foreign countries. We cannot tell, however, what would have been the course of events abroad had imperial preference not come into operation, or whether foreign countries might not have reacted similarly to a British protective policy of a less preferential kind. The second difficulty is that of separating imperial preference from British protectionism. The need for giving preferences to those who already accorded them to us was one of the reasons offered by the Government for imposing the system of protection embodied in the Import Duties Act of 1932. From the start, preference was an integral part of the British protective system, and the implied threat that it might be abandoned after November 1932 unless in the meantime compensatory agreements could be reached with the Dominions was not to be taken too seriously.

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In spite of this entanglement, one or two significant facts may be stressed. The big rise in the ratio of imports from the Empire to total imports into the United Kingdom took place between 1931 and 1932, and therefore could not have been due to the extra preferential concessions granted at Ottawa, since they went into force only towards the end of the latter year. In the second place, an examination of detailed import schedules suggests that the diversion of British purchasing power from foreign countries to Empire countries has not been nearly as important an influence upon the course of trade as the curtailment of that purchasing power itself, and its concentration on products such as raw materials and staple foodstuffs which are largely supplied by the overseas Empire. Notable among the commodities concerning which foreign countries chiefly complain of British interference with the natural flow of world trade are meat and dairy products. But in these categories United Kingdom imports from foreign countries have fallen in value since 1931 by nearly six times as much as United Kingdom imports from Empire countries have increased. In other words, British protective policy appears to have been far more serious a check to foreign trade than British preferential policy.

There is good reason to believe, therefore, that a substantial liberation of trade with foreign countries is possible within the existing framework of imperial preference. If that is to result, however, two conditions must be fulfilled. The first is that pledges of imperial preference should not be given in a form that inhibits a reduction of foreign tariffs, but rather in a form that guarantees the maximum freedom of trade within the Empire itself. Especially in long-period pacts like the Ottawa agreements, it clearly hinders freedom of action in seeking freer world trade to promise that preferential margins shall not be less than a certain amount. For in that case, whatever concessions may be offered in exchange by foreign countries, no remission of duty can be made on foreign goods unless a

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corresponding remission is made on Empire goods, which is logically impossible when those goods already enter duty free, and difficult when they enter at a level fixed as the minimum protection required by general economic policy. The exchange of this type of pledge for guarantees that the preferential tariff will not be raised above a certain level—sometimes zero—was a valuable feature on Canada's side of the recent pact replacing her Ottawa agreement with the United Kingdom.\* It is much to be hoped that new agreements with the other Dominions will follow the same course.

The second condition is that, in part return for the freer entry for their products into the United Kingdom market, the foreign countries concerned should expand their purchases of products from the Dominions and colonies. This seems to be the right path of escape from the error of concentrating too much upon two-way trade, either within the Empire or beyond. It is a condition that applies especially to the United States. If Great Britain is to offer a wider market for American goods, to some extent at the expense of Dominion suppliers, she may justly suggest to the United States that in return the American market for Dominion primary products—for instance, Australian and Canadian dairy products—should be enlarged. The increased purchasing power of the Dominions would redound to the advantage of Great Britain, thus completing the triangle. This brings us to the other main question about imperial preference. Is the British Empire, neither more nor less, the right unit for the promotion of economic inter-dependence—for seeking a larger area of freer trade or a farther-flung protectionist barrier, according to our way of looking at these things?

From either point of view, there is much to suggest that it is not a sufficient unit. Curiously enough, it is British protectionist policy that has brought this conclusion home to many people who might otherwise have denied it. For

\* See below, p. 645.

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that policy has exposed the limits of Great Britain's capacity to render herself independent of foreign sources of supply and foreign markets, and at the same time it has exposed to the Dominions the danger of relying too exclusively upon a single market that may contract rather than expand in the future. Australian opinion, for instance, has visibly turned towards strengthening the Commonwealth's economic ties with foreign countries, notably in the Far East but also in Europe. Canada's treaty with the United States is another wind-vane pointing in the same direction. Such developments may be regretted by those who regard imperial preference as an end in itself, but will be welcomed by those who regard it as a means to an end—the economic progress of the nations that share in it, not at the expense of other countries but to their advantage. The long-term economic problem of raising the standard of life, the short-term economic problem of spreading recovery more evenly and preventing it from ending in an unhealthy boom, alike require for their solution a general lowering of barriers to international trade. Imperial preference can and should be made one of the paths towards that goal. But it is not the only path, and when Empire trade policy is settled there are other tasks ahead for those in charge of British commercial policy.

# CZECHOSLOVAKIA AND ITS MINORITIES

*From a Special Correspondent*

IT is usual to refer to Czechoslovakia as an artificial creation brought into temporary being by ignorant peacemakers. It is denounced for its ridiculous shape and its many languages; the tyranny of a minority of Czechs over the other nationalities is shown by implication to cry out for German, Hungarian, and even Polish intervention. Czechoslovakia in fact consists of the two ex-Austrian provinces of Bohemia and Moravia to the north and west, together with the two ex-Hungarian provinces of Slovakia and Ruthenia to the south and east.\* The country contains about fifteen million inhabitants, nearly ten million Czechoslovaks, and nearly five million people speaking other languages. Thus its minorities comprise about the same proportion of the population as do the minorities in Poland. It is often claimed there is no such thing as a Czechoslovak; that the country is managed by the Czechs, who, alone, form merely half the population; that the two-and-a-quarter to two-and-a-half million Slovaks are as different and as discontented as the rest of the inhabitants. Hence the claim of the republic to be accepted as a political entity that should have been created and that ought to be preserved depends partly upon the extent to which the composite name of Czechoslovakia can be justified.

## I. CZECHS AND SLOVAKS

THE relations between Czechs and Slovaks have not always been easy, and it is by no means simple to define them to-day. These people were separated for something

\* See map on p. 486.

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like one thousand years, from the disintegration of the ancient kingdom of Moravia until the peace settlement of 1919. In that tremendous interval, moreover, they were subjected to widely differing influences. In the period immediately before their union, the Czechs had lived under the more western and liberal administration of Austria, and the Slovaks under the more oriental Hungarian yoke. The Czechs had played an important part in the political life of pre-war Austria, while the Slovaks in Hungary had been systematically neglected or Magyarised. It is illuminating to hear Slovaks describe how in their youth they were not only compelled to attend Hungarian schools, but were even escorted home from school by elder boys who had to insist that only Magyar be spoken *en route*.

Czechoslovak union in 1919 brought together about seven million Czechs, mostly very rationalistic and highly developed politically and industrially, and some two million Slovaks, consisting in the main of a very devout and primitive peasantry. Friction of various kinds was inevitable, but on the whole the Czechoslovak experiment is justifying itself. The appointment of the Slovak, Dr. Hodza, as Prime Minister in 1935 represented a shift of the balance towards a true equilibrium. To-day the younger Slovaks are increasingly ready, and even eager, for jobs in Prague, which is beginning to become their city too. Intermarriage between Czechs and Slovaks has been occurring on a sufficiently large scale to become a noticeable social factor. It is very difficult to make a precise statement about the relation of the Czech language to the Slovak, partly because, even among so few Slovaks, there is a good deal of local variety in the villages. Slovaks do not use the Czech sound *t*, but the suggestion, sometimes made by Poles, that Slovak is nearer to Polish than to Czech is untenable. Czech and Slovak are so much alike that a man can easily forget which language he is speaking or reading, and the best Czech newspapers, such as *Lidové Noviny*, are increasingly read in Slovakia. Though Dr.

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Benes' *modus vivendi* with the Vatican in 1929 propitiated Slovak religious feeling, the biggest political party in Slovakia is still that of the Clerical Autonomists led by Father Hlinka, which desires complete home rule for Slovakia. It only represents, however, 30 per cent. of the Slovakian electorate, and among the other parties only the Hungarian Opposition sympathises with the autonomy demand.

### II. THE HUNGARIAN MINORITY

**W**HILE the Slovaks undoubtedly remain less western than the Czechs, even the most anti-Czech autonomist among them knows that he does not wish to become Hungarian again. Whereas a Habsburg restoration would perhaps draw the glances of Croatia, Slovakia would not raise her eyes. There are, however, some 700,000 Hungarians living mostly in southern Slovakia \* on whose behalf Hungarian revisionist agitation is easier to justify. Yet it is precisely because Hungarian revisionism has so often insisted upon the restitution of all the lands once subject to the Crown of St. Stephen, namely, the whole of Slovakia and Ruthenia, that the Hungarian minority has been regarded with such suspicion and too often treated with intolerance. Even in the predominantly Hungarian villages, for instance, station and post office have mostly displayed nothing but the Slovak language.

During last winter it was constantly alleged in the German, and in a portion of the Hungarian, and even of the British, press that the Czechoslovak persecution of the Hungarian minority, coupled with communist pressure encouraged by the Czech authorities, was driving this minority to desperation and creating a revolutionary situation which might even precipitate international war. Unjust as Czechoslovak administration has sometimes been, the facts do not support these alarming allegations. In the

\* 571,988 in Slovakia and 109,472 in Ruthenia, according to the census of 1930.

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at place, about 70 per cent. of the Hungarians in Czechoslovakia are peasants; although some of them resented the settling of Czechoslovak legionaries in five villages in their midst at the end of the war, most of them have some land, and agricultural prices in Czechoslovakia are good. The landless peasants in Hungary itself are in a more revolutionary state of mind. The few big Hungarian landowners intensely resent the loss of the land claimed for redistribution under Czechoslovakia's agrarian reform law, but their entire estates were not confiscated, and they received some compensation for what they lost. In their eyes, however, the reversal of the feudal order of things by the Czechoslovak republic can never be condoned; they frankly complain that patriarchy has been lamentably disturbed, since the Slovak nowadays claims to be, not a menial, but a man.

The Hungarians whose grievances are most serious in Czechoslovakia are the professional classes, crippled as they are by the change in official language, and by the transformation of the one university in Slovakia, that of Bratislava, from a Hungarian into a Slovakian institution. Against this it should be observed that there is a high proportion of Jews in this Magyar middle class, who escape in Czechoslovakia from the anti-Semitic discrimination prevalent in Hungary. Though about 60 per cent. of the Hungarian minority votes for the Opposition cause, it contains no revolutionary material that is not imported—the doctors and lawyers of Bratislava and Kosice are unlikely insurrectionists.

As for the legend of communist pressure, it can no doubt be explained largely by the tendency of the rather reactionary Hungarian to regard the whole western attitude of the Czechs, who are genuinely democratic and often anti-clerical, as bolshevik. Russian literature or Russian films are not unnaturally of greater interest to the Czechoslovaks, who can easily understand Russian and have always had pan-Slav literary inclinations, than to most other

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nations. The Magyars, of course, have always been anti-Russian, and it is convenient to have, in communism, a new justification for a traditional attitude. It is true that in the last elections (two years ago), while the Communist party polled only 9 per cent. of the votes in Bohemia and 8.6 per cent. in Moravia, the figures for Slovakia and Ruthenia were 13 per cent. and 25.6 per cent. respectively. Since the population in the latter province is scarcely industrial at all, and three-fifths of it is Ruthenian, Russian or some kindred stock, it is reasonable to infer that one votes communist there partly by way of voting Russian, and also of course as a reaction to great poverty. In Slovakia the size of the communist vote is to some extent merely a protest against the influence of the priests. The police are certainly harsher towards communists in Slovakia and Ruthenia than they are in Bohemia or Moravia. Even in the western provinces they are scarcely indulgent, and bureaucratic influence everywhere tends to have an agrarian, that is to say a conservative, flavour.

### III. THE SUDETIC GERMANS

**I**N addition to the Hungarian minority and the complicated racial diversity of sparsely populated Ruthenia,\* there are, of course, the Poles and the Germans of Czechoslovakia. The Poles in Moravia number no more than 80,000. Although Warsaw finds a great deal to condemn in their treatment, a study of the numbers of schools, the size of classes, and so on suggests that Polish, like German, education is not neglected by the republic. The Hungarian statistics are slightly less satisfactory.

Although the Hungarians and Germans often co-operate, the position of the German minority in Czechoslovakia is strikingly different from that of the Hungarians. It is politically stronger, partly because it is a very large minority,

\* The whole population of Ruthenia is barely 700,000, i.e. very little more than the Hungarian minority alone.

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comprising some 3,300,000 Czechoslovak citizens and 22.15 per cent. of the whole population. It is also politically stronger because, far from being a predominantly agricultural population, the Bohemian and Moravian Germans were highly industrialised long before the war; their business men were prominent in the financial life of central Europe. Although, through the methods of German settlement in the past, the Germans in Czechoslovakia are more scattered than the Hungarians, they also have a different territorial attitude. They have never formed part of any other state, and they inherit from the old Austrian days, when German was the dominant language in Bohemia and Moravia, an even greater sense of being the rightful owners dispossessed. Whereas Slovakia was only a Hungarian province of no particular interest, the Germans in Bohemia took pride in regarding themselves as Bohemians. In Moravia,\* racial and linguistic rivalries were—and are to this day—less intense, and compromise more easily prevailed in the closer proximity of mediating Vienna. But the Bohemian Germans regarded Bohemia as a precious area of German soil, in which, however, German settlement had not been sufficiently complete. They therefore believed that to keep the Czechs back and to keep them under was a condition of existence, and that the Thirty Years' War provided a timely correction to Czech intemperance.

Such views, combined with a belief in the inevitable inferiority of the Czechs, both socially and culturally, were fostered by the pan-German movement in pre-war Austria, a movement that was particularly strong among the Bohemian Germans and that also supplied the spiritual cradle of Herr Hitler. (He was physically cradled, incidentally, only a little way to the south-west of Bohemia.) In the old days the Bohemian or Sudetic Germans despised Berlin as a *parvenu* city, and looked to Vienna or Dresden as their metropolis, but with the triumph of Hitlerist ideas

\* Moravia has only about half the population of Bohemia, which is very densely populated; 30 per cent. of the Bohemians are Germans.

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in Berlin they have suddenly found their Mecca in Prussia. Ceaseless Nazi encouragement to Germans throughout eastern Europe to form a conscious bulwark against the Slav races has crystallised the traditional impulses of the Germans in Czechoslovakia.

A sentimental revolution, which many people would liken to a religious revival, was stimulated among the Sudetic Germans by the period of economic depression that synchronised with the nazification of Germany. The industries of German Bohemia were export industries *par excellence*—glass, porcelain, textiles—which had suffered severely when, at the end of the war, the great customs union provided by the Habsburg empire was transformed into a number of independent and protectionist States. Early in the 'twenties, moreover, Japanese competition began to be disagreeably felt precisely in those industries. The effects of the slump appeared to be the last straw; and owing to the new state of mind economic distress was now widely interpreted as the result of discriminatory persecution of the German minority by the Czech majority.

Now after the war, when the Czechoslovak republic was launched, it was perhaps inevitable that the Germans—like the Hungarians—should suffer, individually and collectively. They had held a privileged position, and the Czechoslovaks were determined to evict usurpers and destroy privilege. Egalitarian principles, combined with human greed and inevitable suspicion of the non-Slav population, caused Germans and Hungarians to lose land and jobs. The new civil service was recruited among the Czechoslovaks themselves, with the justification that they were most familiar with the language of the State. As in every similar situation in contemporary history, a good many abuses occurred, and chauvinist Czech societies in Bohemia were often able to bring pressure to bear against legitimate German claims. Although liberal minority laws had been enacted, and although the German minority



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never lost sight of its language inscribed in public places, incidents like that of the German secondary school at Reichenberg, which was taken over for a few Czech children, while the German boys all had to crowd into one school instead of two, caused very bitter feeling.

When economic depression came along, the greater cheapness of Czech labour often threw German workmen out of work. German propaganda complained of the contemptibly low standard of living among the Czechs, who retaliated by pointing to the importation of cheap Czech labour by German industrialists into the Brtx-Dux lignite district in the earlier industrialisation period, and asked whose fault it was that Czech wages had remained low. When, in 1935, the central government tried to relieve unemployment by launching public works, short-sighted local officials imported Czech workmen into German districts because Czech contractors could make lower tenders than Germans. German bitterness over such incidents scarcely needs to be described. Even after the agreement of February 1937,\* this sort of situation is in constant danger of arising, though the Government can afford to be a little more generous than it was two years ago. Early in March of this year the following typical instance was brought to the Government's notice. A tax office was to be built in Hohenelbe near Reichenberg, and tenders were invited. Eight were submitted by Czech builders outside the district, and they varied from 497,000 to 596,000 Czech crowns; the four submitted by local German firms varied from 657,000 to 699,000 crowns.

In the early years of the Czechoslovak republic, the German minority adopted a politically negative attitude. In 1926, however, some German parties decided to become "activists" and co-operate with the Czechs. To-day the three democratic German parties, the Clericals, Small Farmers and Social Democrats, are represented in the

\* See below.

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Cabinet.\* About a year after Herr Hitler became Chancellor of the German Reich, Konrad Henlein, a gymnastics teacher from Asch, appealed to the Sudetic Germans to form a political union based upon their German race and the leadership principle, and to protest against the activist policy. At first he emphasised his loyalty to the Czechoslovak State, declaring that he wished only to see justice for the Germans within this framework, justice especially in the allocation of state jobs, whether in government offices or on the railways, in the postal service or in the police force.

In the elections of May 1935, Henlein's *Sudetendeutsche Partei* polled just over two-thirds of the German votes, actually 1,249,530 against 610,122 cast for the activist parties, which lost fairly heavily in his favour. In spite of Henlein's moderation it soon became evident that the movement which had sprung up under his banner contained a considerable element of Nazi extremists, and consequently had very close ties with Berlin. The sentiment that animated the *Sudetendeutsche Partei* as a whole gradually revealed itself as a vague but fervent enthusiasm, not so much for Henlein, as for Hitler. This has led to ill-concealed dissensions among the leaders of the party, and has driven Henlein to abandon his original moderation, how unwillingly it is difficult to guess.

Now, the Czechs are very matter-of-fact people, very dogged, unimpressed by show, and conscious of the old anti-feudal traditions of the Bohemian townsmen who followed John Huss. They are convinced that Bohemia belongs to its Slav majority; while they have been accustomed for decades to hearing about Slav inferiority from pan-German enthusiasts, this has served to fortify their natural scepticism. The triumphs of Hitler and Henlein, some Czechs felt, were only to be expected among Germans, but others were genuinely shocked at the recrudescence, in the twentieth century, of so much militarism, and at

\* The position of the German activists was explained by Dr. Spina, one of their leaders, in a letter to the *Manchester Guardian* on May 8, 1937.

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the neo-feudal notions of superior racial castes as propounded by the most enthusiastic followers of Adolf Hitler. The Czechs were immensely proud of their first philosopher-president, Thomas Masaryk, who personified the principles of democracy, of tolerance and objective thinking—everything that the Nazis had done their best to destroy. Dr. Benes, Dr. Hodza, and Dr. Krofta, the President, Prime Minister, and Foreign Minister of to-day, are all men of academic distinction. A Czech professor once said to a Polish professor : " So long as we believe in philosophers and you in colonels, it will be hard for us to understand one another," and the Polish colonels are not so far from Masaryk as the Austro-German corporal.

If national-socialist theory was nothing very new to the Czechs, it was new to see it equipped with all the power of the rearming German Reich, and to find that every German minority district had become something of a *terra irredenta* owing to the agitation of perhaps only a few. But where the simple man in Egerland or the Upper Elbe region joined the Henlein movement because one must stick to one's people and be prepared to defend Germanism, the Czechs began to see a traitor in every Henleiner. They began to impose nominated mayors upon the Sudetic towns, where the officials had previously been freely elected. In the process of fortifying the frontiers and preparing for emergencies, Sudetic Germans were pounced upon for possible espionage, or lost their jobs in technical concerns which participated in the process of rearmament. Thus in 1936 Czech-German hostility became intensified, both within the republic and between it and the Reich.

In the autumn, however, the employment situation in the Sudetic districts began to grow very much easier. As early as June Dr. Hodza had begun to discuss with all German parties what administrative steps should be taken to ease the tension; almost immediately Herr Henlein, in a speech at Eger, denounced the Premier's advances. On February 18, 1937, an understanding between Dr. Hodza

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and the activist Germans was nevertheless published. In future the maintenance of all minority rights is to be ensured in practice; an increase in the total number of officials is already making possible the appointment of more Germans without the displacement of Czechs. The February agreement is to apply to all the minorities, German, Hungarian, and Polish alike, and should bring most benefit to the Hungarians, since their rights have, on the whole, been the most neglected. As late as March 13 of this year, one edition of the chief Hungarian newspaper in Czechoslovakia was confiscated for writing that Dr. Hodza, in negotiating with some Hungarian activists, was virtually negotiating merely with his own nominees; this sort of comment had constantly appeared with impunity in the Sudetic German press.

The German activists, whose deputies still represent one third of the Sudetic Germans, have a tremendous interest in seeing that the agreement is carried out. They hope that democratic principles are yet to be saved among men who speak German, and they have been energetically organising meetings to follow up the better employment situation, the guarantee of their rights, and the announcement, in March, of free local elections to be held in the autumn. For the moment they have had some success. But it is impossible to feel certain that the Czech-German situation within the republic is essentially eased. Greater prosperity sometimes leads to greater political intransigence. At Aussig on February 28, Herr Henlein uncompromisingly rejected the agreement of February 18, denying the sincerity of Prague, demanding complete autonomy,\* and uttering vague threats about being driven to desperation.

\* The peace settlement bound Czechoslovakia to provide Ruthenia with autonomy. Apart from the fact that the primitive state of that province made the obligation almost impracticable for years, recent attempts to realise it have caused great indignation among the Germans and Hungarians, who say: "If the backward Ruthenians have autonomy, how can our right to home rule be denied?" It is on account of their rather hypothetical autonomy that the Ruthenians are not technically a "minority".

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It would be difficult to suppose that he spoke quite independently of Berlin. Sudetic German autonomy is geographically something like nonsense, and would never be willingly conceded by the Czechoslovaks, for whom it would mean loss of control of key frontier districts. Since the German Government knows this extremely well, it appears to be discouraging any moves towards a Czech-German *détente*. While Czech optimists prophesy that the Sudetic Germans must soon become sceptical towards whispered rumours that their rescuers are at hand, continued tension during this summer might yet induce a Sudetic German revolt in Czechoslovakia, with international consequences to follow.

### IV. THE REPUBLIC AND ITS NEIGHBOURS

**D**R. BENES, well known at Geneva for his service to the League, has directed Czechoslovakian foreign policy since the foundation of the republic; now that he is President his influence at the Foreign Office still remains paramount. In recent years his agreement with Russia has undoubtedly aroused more opposition, both at home and abroad, than any other portion of his diplomacy. The Czech-Russian pact of 1935 was actually an answer to the Polish-German *rapprochement* of 1934 and to the failure of the project for an "Eastern Locarno". Purely defensive and fitted into the League framework though it was, it may yet be deplored on account of the suspicion felt towards the Soviet régime by the Governments of Rumania and Yugoslavia, Czechoslovakia's partners in the Little Entente. It certainly provided Nazi Germany with a very serviceable instrument of hostile propaganda. At first the Nazi press declared that Czechoslovakia was being bolshevised, and the effect on the unwilling minorities was gruesomely depicted. Czechoslovakia in fact continued to be governed by a coalition of parties, of which the strongest was that of the conservative Agrarians. There have always been Russian

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influences in the Czechoslovak army, it is true, because White Russians like General Vojzichowski had entered the Czech legions during the war and afterwards remained in the army. In the end even Dr. Goebbels has abandoned the "bolshevik spearhead" story.

The German threat to Czechoslovakia is none the less serious for that. Central Europe suspects that Herr Hitler may soon require a new sensational success, and believes that Czechoslovakia is the most likely victim. German diplomacy has been pressing upon Austria and Hungary, while making advances to Rumania and Yugoslavia. The German press has recently taken up its stand upon the more solid ground of minority hardships. Czechoslovak policy has responded promptly to the rising tide of diplomatic encirclement. First, Czechoslovakia has tremendously increased her military strength. Secondly, she has looked the minority question straight in the face. And lastly, Dr. Benes, bowing gracefully to the views of his political opponents, the Agrarians, has explored the possibility of a diplomatic *détente* with Germany; in order to facilitate such a development, Dr. Krofta has politely hinted to the Russians that Prague regards her relation with Moscow as a purely platonic affair.

What, then, does Czechoslovakia mean for the rest of the world? Should the British Commonwealth, for example, feel any concern for its fate, apart from rights and obligations under the Covenant of the League?

Beyond the two great democracies of the West, constitutional government embodying respect for civic rights is now confined in Europe to the northern fringes of the continent, to Scandinavia and the Low Countries. There are only two exceptions: Switzerland, whose trilingual state has been tested by history, and Czechoslovakia. In all central and eastern Europe it is only in Czechoslovakia that there exists a freely elected parliament where every opinion can be expressed and any criticism of the Government recorded. In Czechoslovakia alone the political

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views or the Jewish descent of a university professor will not injure his career. All States seek to justify their intolerance by appealing to the dangers of sedition and treason, but in general Czechoslovakia interprets those words as the British interpret them, and not in the manner of dictators who dare not distinguish between criticism and treachery.

As for the frontiers of Czechoslovakia, the technical arguments for preserving them very much as they are on the north and west are exceedingly strong. Wholesale revision would not abolish minorities but create new ones. Along the Hungarian frontier in the south, Masaryk himself believed in rectification; but, so long as Magyar revisionism also lays claim to the non-Magyar provinces of pre-war Hungary, Czechoslovakia is unlikely to consider concessions. Masaryk also regarded the racial and linguistic variety of the new State as a trait that should gradually make for greater understanding; he envisaged a political community embracing the advantages of old Austria without its disadvantages, its tolerance without its social inequality, its intellectual achievements without its inefficiency and obscurantism. The State he founded is 18½ years old, and if it has not yet realised all his ideals it still respects them. Yugoslavia and Poland are about as heterogeneous as Czechoslovakia, while Rumania is only four-fifths Rumanian, yet no one of them treats its minorities so well. It is due rather to its freedom than to oppression that the Sudetic German minority is able so thoroughly to inform the world of its grievances. Stretching across the map from Bavaria to the Ukraine, Czechoslovakia provides a Western bridgehead in Eastern Europe.

## BRITISH NEWS ABROAD

AT a moment when public men and others from a parts of the Empire are assembled in unusual number in London, when the thoughts of all races within the Realm are being turned to the preservation and development of the loose-knit political and economic entity to which they belong, a book recently published by the Oxford University Press, "The Empire in the World", will be read with special attention. Written by Sir Arthur Willert, Mr. B. K. Long, and Mr. H. V. Hodson, it is a provoking study of the constitutional, economic, and foreign concerns of the Empire. One specially arresting chapter is to be found in the section by Sir Arthur Willert. Discussing problems of foreign policy in relation not only to the United Kingdom but also to the Dominions and colonies he points out that foreign countries are increasingly employing news as an instrument of national and international policy; and he urges that the peoples of the Empire should insist upon a thorough examination of the organisation available for the exposition of British policies and points of view to the world. As a preliminary to this examination, Sir Arthur describes, with commendable brevity and clearness, the news situation in the world as it is to-day. He writes with authority, as a journalist of wide experience in international affairs, and as former chief of the Press Department of the Foreign Office. What he tells us is startling. In a sentence, it is that, whereas for over half a century British news and British-conveyed news swamped all other intelligence in the international field and often was without rivals, its ascendancy has been successfully challenged during the last few years in some countries, and in others its very existence is threatened.

## BRITISH NEWS ABROAD

### I. WAR OVER THE AIR

HERE indeed is a state of affairs that calls for concentrated attention and for swift and vigorous action. The struggle between the nations of the earth is in some respects no less acute and desperate than it was from 1914 to 1918. The weapons only have been changed. Some of the major issues remain; others have been added. The blood of the battlefield and all the other horrors of war settled nothing and achieved nothing. Slaughter of bodies having failed pathetically, subjugation of the mind is adopted as an alternative—and with encouraging results for many who practise it. One result is that foreign news dissemination is being extended and foreign interests are being advanced all over the earth to the material injury of British Commonwealth interests.

For over half a century Reuters agency enjoyed a paramount and apparently unassailable position throughout the world, apart from North and South America, as the carrier and disseminator, not only of British news to the Empire and to foreign countries, but also of foreign news from one country to another. Reuters' position is still supreme, but now no longer unassailed. Havas in France, the Deutsche Nachrichtenbüro in Germany (successor to Wolff since 1933, and commonly known as the D.N.B.), Stefani in Italy, Tass in Russia—these and other agencies are flooding Europe, the Near East, the Far East, Africa, and South America with wireless news services of such abundance that they cannot possibly be ordinary commercial undertakings. They depend for their existence mainly or wholly upon their national treasuries; they are used day by day on behalf of their Governments to spread abroad not only their home news, skilfully so compiled as to present their country to the world in the most favourable light, but also foreign news tendentiously tinted to serve their country's ends.

For three generations the Far East has been a Reuters

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stronghold. Up to the Great War not only British news but practically all foreign news reached Japan, China, and the neighbouring regions only through Reuters. The beneficent effect upon British prestige and British trade was substantial and enduring. Realisation of this after the war fired the Americans to invade what had hitherto been a Reuters, therefore a British, news domain. They gained a footing, but never managed to oust or even to weaken Reuters. They advanced along commercial lines, and, although they properly had the sympathy and support of energetic and growing American business enterprises in the Far East, they were not subsidised or officially inspired. Their competition with Reuters was on the whole a legitimate business competition.

But in recent times the scene has changed. The French and the Germans have established and are maintaining news machinery which could not survive for a month without the backing of their respective Governments, a machinery skilfully conducted to promote French and German political and commercial interests and, directly or indirectly, to injure those of Britain. Japanese and Russian national news services are similarly engaged, and it is nothing but the deserved reputation of Reuters for integrity and efficiency that has enabled Britain so far to hold her own against this array of subsidised rivals. Whether she can continue so to do is another matter.

In the earlier days of modern news distribution, Reuters took the lion's share of the earth, including the whole of the Far East, and left South America to the Havas agency. After the war, however, the frontiers of agency influence were substantially modified. The Far East ceased to be a close preserve of Reuters, and South America of Havas. Both spheres were thrown open to Wolff (now D.N.B.), and to the American agencies, while Reuters was admitted to South America in return for its admission of Havas to the Far East. We have seen what happened in the Far East. The converse, by way of corrective adjustment,

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did not take place in South America. The North American news agencies, with the special rates conceded to them by their telegraph corporations in the promotion of United States business in South America, were able to deliver well-edited services in abundant volume to the newspapers of Brazil, Argentina, Chile, and other republics. Reuters, having no such auxiliary aid, and being geographically at a heavy disadvantage compared with its American rivals, could make little or no use of the open door there—the counterpart, as it theoretically was, of the door which it had thrown open in China and Japan. Moreover, the French, after a temporary setback under the first terrific North American onslaught, pulled themselves together, and, by virtue of the same official co-operation as they have had in the Far East, flung into South America a service of news which for all practical purposes has restored French and Havas authority to its former eminence.

## II. NEWS IN THE FAR EAST

ON June 14 of last year the following telegram appeared in the Tokyo *Nichi Nichi*:

LONDON, June 12. Great Britain, in the Anglo-Soviet naval talks to-day, agreed on the provisions of the Anglo-Russian treaty permitting Russia to match Japan's fleet in the Pacific and complete in secrecy the Russian Far Eastern fleet, while informing Britain regarding the Russian fleet in Europe.

Russia agreed to renounce her former demands that the Far Eastern fleet be exempted from the tonnage and gun limitations in the Franco-Anglo-American treaty.

It was agreed, however, that in the event of Japan's exceeding the limitations, Russia will be permitted to match Japan without notifying Britain.

It is noteworthy that the agreement implies the British recognition of Russia's defence needs in view of Japan's Far Eastern policy.

The statement, in effect, that Great Britain had agreed to the building up of the Soviet Far Eastern fleet to an equality with that of Japan naturally created the worst impression

## NEWS IN THE FAR EAST

in Japanese official and newspaper circles, and was calculated to embarrass the relations between ourselves and our former ally. The report was denied the following day; but in the meantime grave harm had been done.

There is good reason for believing that, while this report bore the caption of Domei, the national news agency of Japan, it originated with one of the foreign agencies already referred to, who day by day hand out to the press and public in the Far East not only news from their own countries but also telegrams from London, or telegrams purporting to have a London origin, containing intelligence which is deliberately biased or tendentious, where it is not completely incorrect, as in the case quoted above. Its effect is to sow discord and, in particular, to misrepresent Great Britain and the British Empire.

In this connection it is worth noting that voluminous secret instructions issued by the German Propaganda Department to German agents abroad within the last three years describe the action they are to take towards foreign news agencies and foreign newspapers :

The aim of this action is to throw discredit on news agencies which are hostile to us and above all to damage as much as possible the relations between these hostile agencies and important foreign newspapers.

Further :

All disturbance created in the good relations existing between other States is indirectly to the advantage of Germany. All ousting of the news of foreign news agencies is a great gain to Germany.

These extracts speak for themselves. Another example may perhaps be cited of the anti-British twist given by these foreign organisations in their telegraphic despatches on British affairs. The following message was published in Japan, again under the Domei caption, when relations were strained between Great Britain and Italy over the invasion of Abyssinia. It bore the date-line LONDON, June 14 (1936), and ran :

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Increasing likelihood that Britain will abandon sanctions against Italy was seen by well-informed quarters here to-day as the Government manifested a steadily growing desire to keep Premier Benito Mussolini in the League and relieve the prevailing tension in the Mediterranean.

The British general staff, it is understood, is more worried than ever before over the situation of Egypt, Malta, and the Suez Canal, now encircled by Italian troops, while the Duce's fleet is mobilized for action within easy striking distance of the British Mediterranean armada.

With revolt fermenting in Palestine, and discontent rife in Egypt, uneasiness is growing daily all over the Mediterranean, and British soldiers, sailors, and civilians stationed in the area are reported to be speculating as to what move Italy is planning to take next.

The Government, in view of these premonitions of trouble, is believed by informed quarters to be gradually moving away from its previous stand in favour of the maintenance of sanctions, and it is widely expected that the next League meetings at Geneva will mark a definite about-face in Britain's attitude.

With abandonment of sanctions considered a virtual certainty, it is reported that British sales agents are already arriving in Rome in order to resume activity as soon as the League's economic blockade is terminated.

It would be difficult to imagine anything more adroitly designed to expose the British nation to contempt in Asiatic eyes—a nation of shopkeepers, on the one hand disliking and condemning the Italian adventure, on the other hand anxious to do business with Italy; meanwhile the British naval and military authorities are in a state of fuss and flutter the reverse of flattering to our pride and reputation as a great Power.

A further despatch published during the same period, once more with the *Domei* caption, and dated LONDON, July 9, ran :

The Admiralty's announced decision to recall the bulk of its fleet concentration from the Mediterranean was interpreted among observers here to-day as being tantamount to an admission that the German danger is at present even greater than the Italian menace and consequently requires the return of a large naval force to the North Sea.

Observers emphasized, however, that the Admiralty's decision was also prompted by fear that Italy would incessantly send

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notes to Britain definitely refusing to participate in the Montreux conference and the coming Brussels conference of Locarno Powers unless the British Home Fleet were recalled and Britain cancelled its mutual assistance accords with the Mediterranean States. . . .

Although expressing satisfaction regarding the end of Italo-British tension, influential quarters did not conceal their humiliation over the fact that the presence of a British force in the Mediterranean and Black Sea failed to prevent Premier Benito Mussolini from conquering Abyssinia. These circles declared that the recent events have involved strategical and political repercussions of the utmost importance. It has been proved, they said, that Italian planes and submarines are capable of not only preventing an enemy's approach to the Italian coast, but also severing communications between the eastern and western halves of the Mediterranean, thus making the British stronghold of Malta virtually worthless. It was pointed out that a network of mines and submarine defence could accomplish this task with ease.

On the same day the following telegram was published under the date-line MONTREUX, July 9 :

Fear by Great Britain that the Soviet Union may sign a separate Dardanelles treaty with Turkey if the Montreux conference fails has reportedly led the British delegation here to consider major concessions toward the U.S.S.R.

Observers declared that Great Britain fears most the conclusion of a bilateral Dardanelles agreement between the Soviet Union and Turkey completely banning the British fleet from the Black Sea during times of war.

British fear, British timidity, British weakness, British perplexity, British vacillation: in short, Britain on the down-grade as a world Power—this is the keynote of the foregoing messages, messages characteristic of what is being served up continually for the enlightenment of the millions in Japan and China. Is it to be wondered at that public opinion becomes biassed against us and that we are in danger of falling from our high estate in the eyes of peoples who long have held us in respect?

Apart from cases such as these, of which many could be cited, the following Havas message, published in the *North China Daily News* on July 14, 1935, provides a typical

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illustration of the derogatory slant given to British news when it is compiled and distributed by foreign agencies :

LONDON, July 12. Despite numerous efforts made since 1931, the number of unemployed in Great Britain is still over 2,100,000. Financial and industrial circles see no particular improvement in the general outlook except in the bettering of international trade, toward which the return of monetary stability would be a valuable contribution.

It is pointed out everywhere, however, that the predicted improvement of French public finances next autumn, through the sweeping reforms of the government, will play an important part in general international monetary recovery.—Havas.

Observe the contrast between the British and the French situations, to the exalting of the French.

It would be mistaken and unjust to suggest that the newspapers in the Far East which publish these messages are necessarily inspired by hostility to Great Britain. The *North China Daily News*, for example, the greatest British-owned newspaper in the Far East, is above suspicion. Its devotion to British ideals does not admit of question. As for the Japanese press, with certain exceptions its inclination, like that of a vast body of the Japanese people, is fundamentally friendly to this country. Nor is there any reason for supposing that the Domei agency is wittingly or wilfully a party to an intrigue or a conspiracy to bring Great Britain into disfavour with the people and press of Japan. Formerly there were two news-collecting and distributing agencies in Japan, the *Shimbun Rengo* and the *Nippon Dempo*. In the year 1936 protracted negotiations for the amalgamation of these two agencies were completed, and they became one under the style and title of the *Domei Tsushin*. Domei to-day stands alone in Japan, without any competing agency, equal or inferior, to serve as a check upon it. The consequent responsibility resting upon Domei as the main channel through which foreign news from the outside world to the newspapers of Japan must pass is heavy. It is not for an outsider to say whether or no Domei is living up to that responsibility. The

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competent and the reliable judges of that in the last analysis will be the Japanese newspapers themselves. They are unlikely to neglect their duty to the public. In the meantime it is fair to assume that Domei is not actuated by any ulterior motive, and that in giving widespread publicity to tendentious French and other services it is influenced by ordinary business considerations, more than by any other.

At Domei's very door are laid down subsidised telegraphic services which in volume and cheapness far surpass anything that Reuters, pursuing its course as an ordinary trading concern, can hope to place at Domei's disposal. The services are abundant in volume, comprehensive in scope, and on the whole not badly compiled and edited. Their price to the Japanese press being a fraction of the cost of an equivalent British service, it is hardly surprising that they find a ready market and a measure of publicity that is gravely prejudicial to British interests, and that makes the British presentation of world news more and more difficult and less and less conspicuous and effective. Amongst the forces contributing to this displacement of British news must be included the services originating in the United States. Cheap transmission rates across the Pacific, and a readiness on the part of the controllers of these services to subordinate ordinary commercial requirements to larger considerations of policy, place the American services in a category second only to the subsidised foreign services as destroyers of the market for British news.

In the circumstances the marvel is, not that the proportion of British news relatively to the whole inflow of news from overseas is steadily shrinking in Japan, but that British-handled news has not disappeared altogether, and that in spite of the growing strength of the subsidised services it has not yet begun to contract in China and other parts of the Far East where the organised control of the news channels has not attained to the level reached in Japan. Thanks to the high reputation which Reuters enjoys for reliability and impartiality, and to the well-founded belief

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that politically and financially Reuters is independent, being animated by one motive only, namely, to present the news, whether British or foreign, objectively and dispassionately—thanks to all this the newspapers outside Japan are still willing to pay the relatively heavy subscriptions which Reuters is obliged to charge. They do so in the conviction that they are getting a superior article, as indeed they are. But that does not prevent many of them, as the examples have shown, from printing the tendentious telegrams of Reuters' foreign rivals and thereby fostering the growth of a widespread foreign and anti-British propaganda.

Nor can we count indefinitely upon Reuters' ability to hold the fort in this way. The monopolistic canalisation of news which has adversely affected Great Britain's position in Japan may easily find its counterpart one day in China and elsewhere. When it does, the results will be the same, unless measures are taken without delay to forestall them. In the meantime the situation is bad enough. Anti-British news is gaining a publicity outside Japan, as well as inside, that can only be checked and defeated by the delivery into the Far East of a British service capable of competing successfully with the foreign services in point of volume, comprehensiveness, and price. How this can be accomplished without importing into the British service the defects as well as the economic advantages of its subsidised rivals, the defects of official control or official influence, with all the suspicion and mistrust which they induce—how this can be achieved must be a matter for enquiry and deliberation. But that it can be achieved there is little doubt. It was achieved during the Great War, when Reuters enlarged their services to the world in general without being subjected to official dictation or official control. This freedom enabled them to maintain unimpaired everywhere, except in the enemy countries, their reputation for impartiality and objectivity, and so the better to serve the national and Allied cause.

## FACT OR SENSATION

### III. FACT OR SENSATION

THE problem of British publicity in the Far East does not stand alone. It has its counterpart in South America, and it is repeated in some form or another in North Africa, in the Middle East, and on the continent of Europe.

The corollary of the open door in China was the open door in South America. But transmission costs and other conditions were adverse there to anything more than a very limited British service. Here is an extract from a speech delivered by the Prince of Wales after returning from his tour in 1931 :

I would like to say a word about the position of the British news services to foreign countries, and I will, for example, take South America, which was the last of the great continents I visited this year. There is no actual shortage of news in South America dealing with events in Great Britain and Ireland, and this country gets a very fair share of the space in the important newspapers, but with the exception of a limited service of news sent to Argentina by Reuters, and except for a few special messages by their own representatives to a few papers, all news sent from England to Latin America is transmitted by non-British agencies. What is the result of this? The result is that by the time this news reaches the Latin American reader he sees us and our affairs through spectacles which are neither ours nor those of his own country. I most sincerely hope that some means can be found to increase the volume of purely British news to South America, and I commend this particular matter to the attention of this Association.

In consequence of the Prince's personal intervention, a sustained effort was made to remedy the deficiency to which he drew attention, and some time later, in another public speech, His Royal Highness was able to say :

I took the opportunity on my return last May to express my views in this country, and I emphasized the importance of supplying the great South American continent with fuller and more accurate reports of what is going on here. Reuters have now established a daily news service to South America, and as regards Argentina I am very grateful to my friend Jorge Mitre, of *La Nacion*, and to the *Buenos Aires Herald* for co-operating most heartily in this scheme.

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But, alas, in spite of a heavy financial sacrifice by Reuters, persisted in for nearly three years, the experiment in the end had to be abandoned; to-day South America is little better off in the matter of British news, and world news carried through British channels, than it was ten years ago. On the other hand, thanks to the French official facilities it enjoys, the Havas agency transmits to South America some fifteen thousand words a day of world intelligence, which includes British news as seen through French eyes. The Havas telegram quoted earlier in this article from the *North China Daily News* provides a fair idea of the risk to which this exposes British prestige.

It is not necessary to impute base motives to Havas. It is enough that the agency should be an honourable exponent, as undoubtedly it is, of French policy and a sympathetic interpreter of the French point of view. But its very zeal and efficiency in that rôle must render Havas unsuitable as a provider and editor of British news in any foreign land. Within the last few weeks the Secretary of the British Chamber of Commerce at Sao Paulo in Brazil, referring in the *Daily Telegraph* to the Italian propagandists who in the Levant and elsewhere "are assiduously spreading the doctrine that Britain is 'on the run' everywhere, and that the Empire will shortly break up", drew attention, as many have before him, to the highly unsatisfactory British news situation in South America. He said :

News of Britain and things British comes, for the most part, to the South American countries *via* non-British press agencies, whose news, to say the least, is often biassed.

In Brazil, for example, the only British news service is a partial one picked up from the air by one newspaper in this city. All other foreign news in Brazil is received from American and French agencies, who, naturally, are not interested in presenting facts favourable to British prestige, but are more concerned with serving up news of a sensational nature (not infrequently detrimental to British interests).

For years the British Chambers of Commerce have urged the need for British news services, inaugurated, if necessary, with official backing in their early stages.

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Of news of a sensational nature, detrimental to British interests, a typical example was provided at the time of the Invergordon trouble. That episode was seized upon by at least one American agency distributing a big service in South America. It presented to its clientele throughout the continent a flaring narrative which magnified out of all proportion what had happened and which could only leave the average reader under the impression that the British navy was rotten with unrest and the spirit of mutiny rampant. One need not attribute to the men responsible for this narrative any hatred of England or any desire to hurt us abroad. They probably were animated by nothing worse than an excited impulse to produce "a colourful story" and "to play up the high lights". But in doing so they were undoubtedly guilty of misrepresenting grossly this country and equally grossly misleading the people of South America. None could condemn this more readily than responsible Americans. Within the past few weeks the United States Ambassador in London, himself an important newspaper proprietor, spoke at a public luncheon of the unfortunate fact that newspapers were often propagandists of evil. Their disposition "to play up to what is sensational instead of sound and usual, and what is remarkable and extraordinary instead of what is the habit of the people, is one of the things that tend to mislead the American public about Great Britain and the British public about the United States". The evil here rightly condemned by His Excellency was the evil inherent in the telegrams to South America about the Invergordon trouble.

The American services in South America, however, are not so prejudicial to Great Britain as the French. The not unnatural disposition of Havas day by day and week by week is to give to the people of South America, no less than to the people of the Far East and of the continent of Europe wherever the Havas service circulates, the French aspect of international politics, and to wrest from the British

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the function that hitherto Reuters have in the main fulfilled as the international supplier of world news. Its growing activity in this respect has excited the misgivings even of Americans, and within the last few years both President Roosevelt and the Secretary of State have commented adversely upon the character of the French news services in South America.

Much might be said about the French, German, Italian, and Russian wireless services in Egypt, the Levant, Afghanistan, and elsewhere, all of them working to Great Britain's disadvantage and designed to supplant or discredit British news and British influence. Still more might be said about the growth and the effect of these services on the continent of Europe. Both Havas and the D.N.B., by means of their subsidised wireless broadcasts, are supplying newspapers of all nationalities in Europe at nominal, not to say derisory, rates, services embodying, not only their own national news, but also news from the rest of the world, most of which they have acquired from Reuters but which in the process of relaying loses its Reuter complexion and takes on that of the distributing agency. The scope for mischief here can easily be seen. That it does not escape attention is clear from an article by a Norwegian journalist of standing, Mr. Henry Røssoch, who, writing in the Oslo *Aftenposten* as recently as April 24 last, remarked upon the growth of the D.N.B. and Havas services to the detriment of Reuters, and struck a note of warning. In Mr. Røssoch's opinion, the Reuter agency, which, to use his own words, has "pumped more material into the international news stream than any of its rivals, now works with great and ever-growing difficulty, and month by month it is harder for news from British sources, and news of British affairs, to find their way into that news stream".

That is the conclusion reached by a detached observer, one, presumably, more friendly than otherwise towards this country. It is a conclusion compatible with the facts, and it is one that we cannot ignore with impunity.

# THE DOMINIONS AND IMPERIAL DEFENCE

## EDITOR'S NOTE

*The British rearmament programme, and the manifest dangers abroad, have brought defence once more into the front rank of British Commonwealth problems. This article consists of two essays contributed through the ROUND TABLE groups in Canada and South Africa respectively.*

### THE CANADIAN DEFENCE DILEMMA

#### I

ONE of the by-products of world rearmament has been the discovery by eleven million Canadians that their country has not yet evolved a foreign policy on which it can base a rationally planned defence programme capable of commanding the united support of its citizens.

It is no secret that the Canadian Parliament, in voting this year's defence appropriations of \$35,000,000, did so reluctantly. The estimates initially submitted to the Cabinet called for an outlay of some \$50,000,000 on army, navy, and air services. A number of the Ministers, notably the Middle Westerners, criticised the proposed expenditure so vigorously that the Cabinet itself cut the total by 30 per cent. When the reduced estimates reached the House, the Government discovered that a majority of its own supporters opposed them, a few openly, the remainder privately. So hostile was the feeling that the Prime Minister summoned a special caucus, and is said to have told his followers that they would have to vote for his estimates or take the consequences.

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In the House itself, debate was marked by evasion and an atmosphere of unreality. The Conservatives remained silent. Government spokesmen struggled verbosely to convince the House that there was nothing in the programme to indicate that Canadian participation in another European war was contemplated. The Defence Minister, Mr. Mackenzie, gave warning of the danger of hit-and-run raids by sea and air, but neglected to specify whence they would come or why. The Minister of Justice, Mr. Lapointe, advanced the surprising thesis that the proposed armament—bombers, fighters, mine-sweepers—would serve to protect the country against its communists. Again and again, Mr. King, with one eye on French Canada, asserted that there were no “commitments” involving Canada in the United Kingdom’s plans for Empire defence. “What we are doing,” he said, “is for the defence of Canada, and of Canada only”. To which he added: “But I hope that will not be construed to mean that we are not thereby making some contribution to the defence of all English-speaking countries and all democracies”—a qualification that takes in considerable territory not included in the original Confederation pact. Only the Socialists admitted—and decried—the obvious fact that the Dominion was providing itself with the nucleus of a martial establishment able to serve as a Canadian contribution to Empire defence in an Empire war, should such a war eventuate.

In the end, only twenty-two members in a House of two hundred and forty-five voted against the estimates, but no informed Canadian was deceived into a belief that the extent of the majority indicated the real opinion of either the House or the country. The truth is that on the defence issue, as on the larger issue of foreign policy, both mind and feeling in Canada are in a state of chaos; so much so that were a war crisis to arise to-morrow the unity of the Dominion would be threatened. Slowly, reluctantly, the country is arming, but there is no united conviction either upon the necessity for armaments or upon the purpose for

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which they are intended. As elsewhere, of course, the purpose is commonly labelled "defence". But defence of what? Canadian territorial integrity? Canadian trade? Canadian neutrality? The Commonwealth? The colonial empire? Democracy? Collective security?

As a people, Canadians have not yet found the compellingly convincing answer. Hence the tendency toward evasion, toward obliquity, a tendency that must be extremely irritating to other members of the Commonwealth. And hence the danger to national unity that constantly beclouds Ottawa's approach to the question of Empire defence.

At one extreme of opinion are the avowed imperialists; at the other, the confessed nationalists. Both groups accept the concept of a sovereign Canadian State within the Commonwealth, but their interpretations of the meaning of that concept exhibit fundamental differences. The imperialist places the emphasis on the Commonwealth relationship. He advocates a common Empire front in foreign affairs and accepts the idea of automatic Canadian participation in an Empire war, with its corollary, the integration of Canadian and imperial defence. The Dominion, he says, is in real danger of attack and cannot defend itself unaided; close co-operation with Great Britain in defence, therefore, is merely enlightened self-interest.

The nationalist, on the other hand, emphasises the sovereignty of the Canadian State. He may not be wholly isolationist in his thinking, but his view is essentially that of the North American. Canadian defence policy, he agrees, should be based on Canadian self-interest, but Canadian self-interest may or may not coincide with Great Britain's self-interest. Where there is conflict, the former should take precedence. He minimises the danger of unprovoked attack on Canadian territory and emphasises the value of the Dominion's geographic position and its contiguity to the United States as defence factors. Suitable measures should be taken for the protection of the

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country's coastal areas; but a policy that contemplated military adventure overseas would in the long run merely invite retaliatory attacks on the Dominion. The Empire, he will add, is a thoroughly unnatural defence unit.

What the relative strengths of the two opinions are, no one can say with authority. Both groups are vocal, but neither, as yet, is organised politically, the cleavage cutting across existing party lines. The ultimate appeal, of course, will lie with the great mass of Canadians who, at the moment, either do not think about defence at all or do not know what to think. Nor will thinking alone settle the question; for it is pre-eminently one in which an all-important part will be played by feeling, particularly if a crisis should actually arise.

## II

ANY realistic appraisal of the influences that play upon the Canadian must commence with the cardinal factor of geography. Despite his experience in the last war, the fact that he is a northern North American makes it difficult for him to think of defence in terms of martial equipment. Subconsciously he is aware that his geographical position is his strongest protection. One North Pole, two oceans and a friendly State, which has announced its intention to protect its neighbourhood against aggression, are comforting neighbours in the pre-war world of 1937. Furthermore, the Canadian, whether French or English-speaking, knows nothing of the population pressures, the racial hatreds, the deep-seated economic stresses of the European's existence. He knows something of conflict, but the conflict of man against Nature, not of people against people. Such a man finds it difficult to understand the armed rivalries of Europe, and it is not unnatural that he should tend to isolate himself from that which he does not understand.

On the other hand, his history has made him a man

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curiously divided against himself. The French Canadian has achieved a purely Canadian point of view—hence the preponderant “nationalism” of Quebec; but not so his English-speaking compatriot. Examine the latter’s history, and two basic trends become apparent. One is an almost straight-line progress toward the evolution of a North American nation; the other, the extraordinary pertinacity with which he alone, among all the peoples of the two Americas, has clung to political connection with the parent stem.

It is not easy to explain two such apparently conflicting tendencies, but one obvious reason is the dominant rôle played by the economic self-interest of the individual Canadian in his attempt at nation-building. No society, however, can achieve vital being on the basis of self-interest alone. It is a truism that in every man there is something that impels him to seek a non-selfish, and if need be sacrificial, relationship with the world external to himself. And the Canadian, not having achieved a compelling consciousness of a common national purpose, has turned to what may be termed British-ness for satisfaction of that deep-rooted desire for loyalty to something external to himself.

That dualism explains much that is peculiar in Canadian life. It explains Mr. Bennett of the Ottawa Conference and Mr. Bennett of 1937. It explains the Canadian manufacturer who tries to choke Lancashire one minute and wraps himself in the flag that flies over Lancashire the next. It also helps to explain the cleavage between nationalism and imperialism.

This thesis, however, must be examined in the light of the changing composition of the Canadian population. In the early days of settlement, almost all English-speaking Canadians had personal or family contact with the Mother-land. To-day seven out of nine Canadians are native-born. Most of these have had no personal contact with the root traditions. Their experience of life is wholly

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North American. Their self-interest is a North American self-interest. True, one-ninth of the population is British-born, but the influence of this group, though powerful, is at least partly offset by the attitude of the remaining ninth, which is neither native nor British, but foreign-born. Equally significant is racial composition. Canadians of Anglo-Saxon stock now number only 50 per cent. of the population; 30 per cent. is French; 20 per cent. derives from other races. Birth-rate differentials are such that the French proportion will increase. On the basis of the present trend, one leading Canadian authority estimates that the French may constitute 40 per cent. of the total by 1970.

There are evidences, moreover, of the growth of an emotional, as distinct from an economic, Canadianism. In its most rudimentary expression this attitude is simply a reflection of a passionate attachment to the native soil, a love of the homeland, and a willingness to sacrifice self to preserve the homeland's integrity. Despite the continued existence of economic and regional particularisms, most observers agree that Canadians have already reached this stage in their evolution as a people. The British Columbian will defend the soil of Nova Scotia, not because of his British-ness, but because he is a Canadian. This, as a matter of fact, is the one point on which the defence views of imperialist and nationalist converge. At the moment it is the one premise on which it is possible to base a defence programme that will not strain national unity.

### III

WHEN one turns from emotional to economic factors the pattern becomes less obscure. The total business capital employed in Canada is approximately \$18,500,000,000. Of this amount it is estimated that 62½ per cent. is owned in Canada, 22 per cent. in the United States, 15 per cent. in Great Britain, and ½ per cent.

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in other countries, the total non-Canadian capital being \$6,800,000,000. Canadian investments abroad are valued at \$2,027,000,000, of which sum \$1,254,000,000 is placed in the United States, \$109,000,000 in Great Britain, and \$664,000,000 in other countries. These figures indicate that so far as capital commitments are concerned the balance of interest lies with the United States rather than with the United Kingdom.

External trade (combined imports and exports for the year ended January 1937) is distributed as follows: United States 47 per cent., other foreign countries 13 per cent.; United Kingdom 31½ per cent., rest of the Empire 8½ per cent. These figures are used by both imperialists and nationalists to justify their respective positions, but again it is obvious that Canadian interest is a divided interest.

Divergence along economic lines also becomes apparent when one examines the reasons for the common desire of Canada and Great Britain for the maintenance of the political *status quo*. It is true that both countries have a vested interest in peace, if for no other reason than that both desire undisturbed possession of territory. But their territories are not coterminous. Canada is not a direct beneficiary of British economic and political control of the Empire's colonial areas. To put the matter bluntly, loss of British control over Kenya or the Malay States, for instance, would probably make little difference to the economic well-being of Canadians. Similarly it would be difficult to argue that Canada stands to gain by reason of the Union's suzerainty over South-West Africa.

It is arguable, moreover—and the nationalist so argues—that the Dominion's greatest risk of becoming involved in war lies in close association with Great Britain. Historically, since the days when both French and English fought the Indian, there never has been a purely Canadian war—that is, a war fought by Canada and originating solely in North American causes. Looking to the future, the nationalist argues that Great Britain's imperial interests

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manifestly involve the risk of international friction on many specific issues of no direct concern to the Dominion. Further, it is difficult—the nationalist says, impossible—for Canada to secure effective voice in the determination of British foreign policy, which, in turn, determines the question of peace or war.

It should be remembered, also, that there is no likelihood of Canadians' gaining anything by way of wealth or territory from even a successful Empire war. The territory under the control of Empire member States was considerably augmented as a result of the last war. Canada acquired only her war debt; and the cost of war still looms large in the minds of imperialists and nationalists alike. To date, Canadians have paid \$4,700,000,000 on their world war bill, and they are still paying at the rate of \$158,000,000 a year.

### IV

THE above is by no means a complete catalogue of the arguments in the nationalist's repertoire, but it will suffice to indicate that British-ness among the Canadians has a good deal to contend with. Nevertheless, it remains a potent force, not only in the life of the Dominion generally, but also in the current response to the defence problem. In fact, with the collapse of the hope of a genuine League collectivism there have been unmistakable evidences of a recrudescence of British, as distinct from Canadian, feeling among groups which until recently displayed ardent emotional attachment to the League ideal. One now hears a good deal about the Commonwealth's being the only league that can guarantee the world's peace.

Undoubtedly the strongest appeal that the imperialist view offers to Canadian self-interest is derived from the obvious fact that so long as Great Britain is committed to defence of the Dominion it would be difficult, if not impossible, for any European Power to launch a major attack against its shores. The force of this argument, however,

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is modified by the degree to which belief persists in the efficacy of the geographic factor. As yet there is no evidence of acceptance by the great mass of Canadians of the idea that a serious attempt at conquest of Dominion territory is likely; and there still is general scepticism towards the suggestion that military technique has developed to the point at which such an assault would be feasible. Moreover, the translation of this risk into actuality might well foster a continental solidarity, since it would be of vital consequence to North America as a whole.

Fundamental importance attaches, of course, to cultural and ideological factors; but in view of the confusion of trends, not only in Canada, but also elsewhere, too much reliance cannot be placed on these as a source of unity either within the Dominion itself or between the Dominion and Great Britain. At the moment, for instance, French Canada shows signs of combining a sympathy for Italian fascism with a positive antipathy for both communism and German nazism. So far as intra-Commonwealth relations are concerned, much depends on the relative tempos of social and political changes in Canada and Great Britain. If the latter, for example, were to swing sharply to the Left and embrace militant socialism, while the Dominion retained a capitalist economy, the shock to the British-ness of many of the most ardent Canadian imperialists would be severe.

Another obviously vital factor is the degree to which the interests of Great Britain run parallel to those of the United States. One of the cardinal assumptions of any rational Canadian defence policy is that armed conflict with the United States would put the Dominion in an untenable defence position. It follows that Canadian adherence to imperial foreign policy can never be unqualified whenever that policy impinges on the interests of the United States. Even from the purely British point of view this is probably a blessing in disguise, but the

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Canadian's consciousness of his position in this respect adds still another element to the complex that gives rise to the Canadian defence dilemma.

Canada, April 1937.

## SOUTH AFRICA AND DEFENCE

### I

FOR South Africa, as for Great Britain and the other members of the Commonwealth, the events of the past two years have made national defence a problem of primary importance. The steadily growing tension in Europe, the tragic failure of the ideal of collective security, the reversion of the Powers of Europe to a scarcely veiled system of power politics—these are the circumstances that have compelled Great Britain to proceed, at enormous cost, from disarmament to rearmament, and that make it necessary for the Dominions, not only to reckon out their contribution to the collective security of the Commonwealth, but also to plan each individually for its own protection. For the contraction of space and the new totalitarian concept of warfare involve the expansion of the area of conflict and compel the belief that in a future war, to a far greater degree than in the last one, the whole world, not Europe and its near neighbours alone, will be the battlefield. Protected though they still may be to some extent by their remoteness, the Dominions are bound to face the possibility that, instead of defending themselves by supporting a thrust in Europe, they may have to meet in their own territories an attack aimed by a land-hungry aggressor. These considerations apply to all the Dominions in one degree or another, but with especial force to South Africa.

The Union's conception of its national and international position has undergone great changes in the past few years. The Status Act of 1934 marked in an emphatic manner the acceptance by the majority of South Africans of the

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independent nationhood bestowed by the Statute of Westminster. A certain pride was felt in the attainment of this goal, together with sincere satisfaction that an ever-present political wrangle could at last be considered settled. These feelings have in the last few years passed into history, and have given place to a growing realisation of the responsibilities attaching to the privilege of independence: a nation that will not or cannot defend itself may not rightly be called independent. To the extreme Nationalist minority, independence connotes a policy of isolation and "Little-South-Africanism", of drawing a magic circle of neutrality round our frontiers and burying our independent heads in the sand. To the present Government, however, and to the majority that supports it, independence seems to demand the organisation of all our resources both human and material for the protection of our territories. Against an imperialist aggressor no declarations of neutrality will afford much protection to the mineral wealth of the Rand or the Cape's strategic gateway to the East. When a nation melts its wedding-rings to provide the sinews of war, when air fleets and submarine bases make the Mediterranean a more than doubtful link in the communications between West and East, the Rand and the Cape take a front seat on the international stage, and South Africa must look to her defences at both extremities.

### II

**S**IDE by side, however, with this realisation that we must be prepared to defend our "Naboth's vineyard", goes the growing apprehension that the Union's responsibilities do not end at the Limpopo, that South Africa's defence means rather the defence of southern Africa, that, to imitate Mr. Baldwin's phrase about the Rhine, our frontier lies upon the Equator. South of this line lie British, French, Belgian, Portuguese territories: among these is no threat of war, no dispute as to title or boundaries. The Union and part at least of Kenya, Tanganyika, and the Rhodesias

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afford territories in which a white population can make its home. It is, as General Herzog significantly observed at the recent African transport conference, the business of those whose homes or interests lie in southern Africa to ensure that its peace is not shattered by the impact of European disputes. The Union contains some 60 per cent. of the white population of the African continent, and it is coming to be realised that if southern Africa is to organise itself in defence of its peace and its white populations, the leadership may well devolve upon the largest white independent State. One can see here the germ of what might be called a Monroe doctrine for southern Africa; and, although the isolationism that is still a strong factor in South African politics prevents at present any open admission of such possibilities, it is not inconceivable that for the sake, not of Great Britain, but of her own existence, the Union may find her forces fighting in a future war, as in the last, in Africa beyond her own frontiers.

South-West Africa, for instance, is not Union territory, but its defence in time of war follows inevitably from the Union Government's recent declaration of policy in regard to the mandated territory.\* An attempt by a strong European Power to seize Angola or Mozambique would be a threat to the safety of the Union and the Rhodesias, which the Governments of these territories might have to meet with a common defensive policy. Or again, the Italian seizure of Abyssinia, and the threat of a new era of imperialist conquest based on black levies, provoked serious words of warning from the Union's representative in London and Geneva as to the dangers of upheaval and unrest in Africa, dangers that compel the Union to look anxiously northwards beyond its frontiers. Briefly, the Union to-day, in considering its defensive position, is bound to consider it not less as a leading African State than as a member of the British Commonwealth.

This duality of interests accounts in part for South

\* See *THE ROUND TABLE*, No. 106, March 1937, pp. 445-447.

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Africa's equivocal attitude towards the forthcoming Imperial Conference. At this Conference defence is one of the main questions for discussion: the Union delegation, however, does not include the Minister for Defence, and the Union Government has made it known that, whilst not averse from the discussion of general matters affecting defence, it will not be in a position "to come to any decision on any matter of principle affecting the Union". This somewhat vague and hesitant attitude towards imperial defence is the product mainly of three factors. In the first place, the dual interests referred to above tend to hold South Africa back from whole-hearted commitment to a rigid scheme of imperial defence, which may or may not altogether coincide in the future with the development of her interests as an African State. Second, and extremely important for an understanding of the Union's attitude, is the fact that South Africa's relations with Great Britain, though cordial and co-operative, are not based upon the same unquestioning attachment to a mother country as are those of New Zealand, for example, or Australia. World collective security based on the League could have been regarded, until recent events impaired this ideal, as the most potent force linking the Union to British policy; but now that circumstances are involving Great Britain more deeply in the power politics of Europe it is the more limited bond of common interests between the two countries that moves into first place; and it is conceivable, though not probable, that these interests may diverge.

In the past few years the growth of a national consciousness, of the idea of "South Africa first", has progressed so far—and not among extremists only—that the Union Government dare not, even if it would, commit itself definitely to any combined scheme of defence that could be represented as serving the interests primarily of Great Britain and her possessions, or even the interests of the Commonwealth as a whole in preference to those of the Union. The Union is prepared in its own interests to

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allow its defence plans to dovetail into a wider scheme of Commonwealth defence, to form a passive rather than an active link in the chain of imperial defence : it will allow the wider scheme to include the smaller, but is not prepared openly to adapt the smaller to fit the wider. Lamentable though this attitude may be, the fact remains that South Africa's nationhood has not yet outgrown the narrowness of nationalism, and that her leaders, whatever their desire for fuller co-operation, must move cautiously on the path of imperial defence, lest they move too fast for those who follow and shy at every step. This consideration leads on to the third factor in the Union's present hesitations, the general election that is due next year. The influence of the Malanite party is far from waning, and there is reason to anticipate increased Nationalist representation in the next Parliament. Particularly in the present circumstances, therefore, it is beyond reason to expect the Government to provide the Opposition with the weapons that active co-operation in imperial defence would afford for use in the backveld.

### III

IF, however, South Africa's part in imperial defence remains for the present a passive one, if her rôle as the "big brother" of southern Africa has not yet emerged far out of the realm of political speculation, there is no doubt that in plans for the defence of her own territories she is embarking upon a phase of considerable activity. Up to 1934 the depression, the absence of serious international alarms, and the prevailing disarmament idealism, reduced the defence force to a condition almost moribund. In the past two years, however, there has been money to spend, the growing threat of war to reckon with, and in the person of Mr. Pirow a Defence Minister whose vigorous personality has no time for make-believe, and whose thoroughness does not mean to leave the nation's security unplanned. There are, indeed, some who fear that Mr.

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Pirow's somewhat Teutonic outlook may, if unchecked, tend towards an undemocratic, semi-fascist, regimentation of the nation for purposes not wholly military; for the present, however, the renewed activity of the Defence Department goes by no means further than what is generally admitted to be essential, a comprehensive scheme to enable us, at any rate on land, to stand on our own feet in time of war. The Government is making defence a matter of primary importance, the formulation of strategic plans is engaging the attention of the general staff, and active progress is being made with the enlargement and revitalisation of the permanent and reserve forces. Details of what is being planned and done remain prudently locked within the departmental archives, and Ministerial pronouncements confine themselves to reassuring generalities. It is possible, however, here to indicate the main lines upon which the defence of the Union is being planned. Three factors must in the future contribute the main part of our security—the British fleet, the air arm, and a small but highly mechanised land force.

Reliance upon the British navy for the protection of our coasts is a fundamental assumption of our defence policy. The Union (including South-West Africa) has some four thousand miles of coast-line to protect and possesses no warships; it has been the deliberate policy of successive Governments since the war, under agreement with the British Government, to rely, on the naval side, entirely on the British fleet. Under the agreement made in 1922 by General Smuts and Mr. Winston Churchill, Simonstown harbour is recognised as a British naval base, and the land and air forces of the Union are pledged to its defence for Great Britain in time of war. This obligation was specifically reaffirmed by Mr. Pirow in the plainest language in a speech at Simonstown on April 2 this year. On several occasions, too, in recent years the Prime Minister has referred in unequivocal terms to the Union's reliance upon Great Britain as her best friend, and during the present

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session he has reminded Nationalist members, who stung him to speech with complaints about the inclusion in the opening-of-Parliament ceremonies of the admiral commanding the Africa station, that apart from ordinary courtesy South Africa could not but acknowledge the debt she owes to a force whose mere existence saves the Union taxpayer millions of pounds a year.

The Defence Department is now making every effort to render its co-operation with British naval forces as effective as possible. The increase and modernisation of coastal defence batteries in the Cape peninsula and at important points round our coasts are proceeding apace. A beginning has already been made with the Government's £6,000,000 scheme for the Table Bay harbour extension, a scheme which, though specifically not intended to provide a naval base for the fleet, is bound none the less to be one of great strategic as well as commercial importance. Finally, as a key to the Cape's defences, Robben Island, at the entrance to Table Bay, is to become a strong military defensive position equipped with long-range heavy guns. Further, it is intended to secure the most efficient co-operation possible between the air force and the naval forces. Recent manœuvres at Singapore emphasised the impregnability against sea and air attack of a land base protected by close and efficient co-operation between ships and aeroplanes.

British ships are thus an integral part of the Union's defence plans; and the plain fact remains that, whatever theoretical right of neutrality the Union may possess, no deliberate aggressor will trouble his head about the niceties of the Statute of Westminster; it is inconceivable that South Africa should find herself involved in war without finding Great Britain at her side. Whatever the show of reluctance, reticence, and independence demanded by internal politics, the cost of translating the theory of neutrality into practice is the cost of building a battle fleet of our own. South Africa will continue to assert her freedom of action up to the moment of having to pay

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for it, and will then proceed to base her defence as before upon the British fleet.

### IV

**A**GAINST an enemy once landed, however, and in defence against an overland attack, South Africa must rely entirely on herself. There are here certain considerable difficulties to face. The area to be defended is wide, the population and its man-power are small; communications, owing to the conformation of the country, are not easy; the railways, which in South Africa even more than in most countries are the national life-lines, are easily cut. From these considerations follow certain conclusions. In the first place, the active defence forces are bound to be small and must be therefore proportionately the more efficient in training and equipment. Efficiency to-day means mechanisation, and plans provide for a striking force of some 56,000 men technically efficient, with machine-gun equipment, and including rifle grenade, trench mortar, and anti-tank specialists, supported by mechanised artillery; a force capable of directing a vigorous and decisive blow at any threatened point. This force will be composed of the Permanent Force, as a nucleus, together with 24 battalions of the Active Citizen Force and 25,000 quickly mobilisable Active Citizen Force reserves; beyond these will be a national reserve of 100,000 riflemen, whilst behind the lines the use of native labour for non-combatant duties would enable the combatant force to make the most of its numbers. But striking power demands mobility. A start has at last been made with a national road system, and transport by the railways, slow, sparse, and vulnerable, may be supplemented in case of need by motor transport and in some cases air transport. A crushing blow swiftly struck must replace, as the first means of defence, the guerilla tactics of Boer war days.

Finally it is recognised that, in directing and supporting such a blow, the air force must play a vital part, with

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scouting planes, troop-carriers, and bombers. Plans provide for the support of the land force by a force of some 500 to 600 interceptor-fighters and bombers. And it is in the direction of air force expansion that progress is to-day most noticeable. As far as the training and re-organisation of the land force are concerned it is impossible, without access to confidential information, to say how much progress has yet been made from planning to execution. But it is no secret that in air force expansion considerable activity prevails. All Permanent Force officers are required to qualify in a flying course; the Government quite recently announced a scheme to provide for the civilian training of 1000 pilots in the next five years; and early this year the Defence Department revealed its purchase from the British Government, at a purely nominal price, of 100 only slightly obsolescent aeroplanes, with the promise of facilities for the future purchase of an adequate number of the most modern machines. It is natural, indeed, that as a vital factor in both sea and land defence the air arm should receive the first attention.

If, in conclusion, we consider the material resources of the Union in time of war the picture is reassuring. The Government early this year announced its intention of compiling, with the assistance of producers and manufacturers, an estimate of the national resources that could be mobilised and adapted for war purposes. In almost all war essentials the Union can make itself self-supporting. There is no question of its capacity to feed itself; it possesses an unlimited supply of coal, iron, copper, and other essential minerals, an already considerably developed explosives industry, and in the comparatively recent iron and steel plant in Pretoria the nucleus of a war-time armaments industry. It can clothe itself with its abundant wool, and, if necessary, produce cotton in the low-veld areas. There are three main deficiencies. Rubber is entirely lacking, a difficulty that can be met only by provident accumulation. Oil is available only in trifling quantities,

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though this deficiency may possibly be remedied to some extent by the production of lubricant from the indigenous castor-oil plant, whilst as far as motor-fuel is concerned benzol derived as a by-product from the steel-works is already in use, and alcohol, a by-product of the sugar industry, is also used in combination with petrol as a satisfactory fuel mixture. Thirdly, for the present and inevitably for some time to come, the Union must depend for its heavy armament and big guns, and for aeroplane and motor engines, on the more highly developed industries overseas. It would be possible to expand and adapt the existing steel plant within reasonable time, but only for the making of shells, bombs, small arms ammunition, and the lighter types of war requirements. Even with these limitations, however, the Union is, from the point of view of material resources in war-time, favourably situated in comparison with some other and greater nations.

To sum up: South Africa is more keenly alive to-day than ever before to both the responsibilities and the dangers of her new-found status, and this sense of national importance is impelling her to prepare herself, as far as her resources go, to shoulder the one and meet the other. Her material and financial resources are large in proportion to the population, whilst the geographical features that increase the problems of defence increase no less the difficulties of attack. Protecting her from without, in the diplomatic and naval spheres, stands Great Britain; and though, while it remains safe to talk independence, the extremist minority take full advantage of the opportunity, if the wheel of politics should eventually place them in power their ingenuity and common sense would help them to discover good reasons for continuing, "for the preservation of South Africa's independence," the policy of co-operation which at present they condemn as serving chiefly the imperialist interests of "a foreign State".

Union of South Africa,  
April 1937.

# PREPAREDNESS IN NORTHERN EUROPE

*From A Correspondent*

## I. FEARS AND FANCIES IN THE FAR NORTH

MUCH publicity has recently been given in both the British and the Scandinavian press to the alleged war danger threatening northern Europe.\*

Some weeks ago a London evening paper put before its readers a hair-raising picture of military preparations in what has always been considered one of the world's most peaceful and safest corners. As on many previous occasions, mysterious "phantom flyers" were reported to have been seen over the furthermost polar districts of the Scandinavian peninsula; a foreign submarine had been spotted slipping out of a Norwegian fjord; Germany's war chief, Field-Marshal von Blomberg, had been discovered on a secret cruise along the coast of Norway; the Soviet Government was planning something particularly sinister at Murmansk harbour; while Scandinavian experts were holding secret meetings to work out a line of action suitable to the circumstances.† These "revelations" were taken almost verbatim from an article that had appeared in one of the monthly reviews, in which the author—quoting extensively but incompletely from certain Scandinavian papers—had given a

\* See the map on p. 486 above.

† For information on Murmansk, see a series of articles by Mr. H. P. Smolka in *The Times*, November 3, 4, 5 and 6, 1936.

His book, *40,000 Against the Arctic*, from which they were extracted, contains no evidence of Russian aggressive plans in the polar regions; on the contrary, the development of Murmansk would seem to destroy any motive for a push towards the northern ports of Norway.

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somewhat startling account of the alleged "Storm Over Northern Europe". The same author had shortly before published in England an article called "Denmark's Military Plight". Taken together, these contributions might have conveyed the impression that something very serious and very sinister was afoot in the Scandinavian area. It is just as well, therefore, to state at the outset that the authority of some of the Swedish and Norwegian papers that were quoted is no higher than that of the more notorious sensation-mongering publications in Great Britain. Moreover, nothing is more misleading than half-truths.

That the countries of northern Europe have felt themselves intimately affected by the many changes that have taken place in the post-war world is true enough, and that they should seek to make the necessary adjustments in their own position is only normal. In analysing these developments, however, it is essential to differentiate between the real and the imaginary issues, as well as between the purely domestic and the international aspects of the questions with which Sweden, Norway, Denmark, and Finland are at present confronted.

The tradition of neutrality is so firmly established in northern Europe that the very suggestion of a war danger there sounds almost unbelievable. Sweden and Norway have managed to keep out of war since the days of Napoleon, and Denmark since her conflict with Prussia in 1864. Moreover, the Scandinavian countries have been among the staunchest supporters of the League of Nations since its inception, and have spared no efforts to contribute as best they could to the pacification and stabilisation of post-war Europe—sometimes even at the price of subordinating their own immediate national interests or aspirations, if by that means the common good could be advanced. That such a policy was not dictated by detached idealism alone, even though that factor should by no means be underestimated when dealing with Scandinavia, but also

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by a realisation of the value of peace and prosperity to their national well-being is only to their credit, since it shows the extent of their shrewdness and practical perception. Sweden, Norway, and Denmark are probably the only countries in the world that have actually carried the principle of unilateral and unconditional disarmament into practical effect, and have reduced their military forces to the very minimum compatible with their dignity. The case of Finland is somewhat different, since she can legitimately claim the need of a relatively strong defence force. If it is further realised that for a number of years the countries of northern Europe have been most successfully and effectively governed by socialists and liberals, whose genuine pacifism and profound abhorrence of exaggerated political and economic nationalism are an established fact, it will seem all the more strange that preparation for a possible—or, as some of their citizens consider, unavoidable—war should be looming so largely in their national life and their international relations to-day.

Yet there can be no doubt that not only in political, military, and business circles, but actually throughout Scandinavia, there is a strong and growing feeling of apprehension as to how a clash between Russia and Germany, or in fact any European conflagration, would affect them. It is over the answer to that hypothetical question, however, that opinions differ so vastly—not only regarding the scope of the possible complications, but also regarding the measures that such potentialities demand or justify to-day.

Unless these issues are seen against their historical background they cannot be judged in a true perspective. Before the war there were four Baltic States—two large ones and two small ones: the Russian and the German Empires, and the kingdoms of Sweden and Denmark. To-day there are ten sovereign States bordering on the Baltic Sea: in addition to the four mentioned above, there are also Finland, Estonia, Latvia, Lithuania, Poland,

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and the Free City of Danzig. All the new countries have been carved out of former Russian or German territory. The two Scandinavian States have also been affected by the post-war settlement. Denmark was given a slice of formerly German territory in North Schleswig, while Sweden hoped but failed to get the Åland Islands, previously in Russian possession and attributed by the League of Nations to the republic of Finland. Although the plebiscite in North Schleswig was conducted on impeccable lines, and its outcome merely meant the handing back of territory that a few score years before had belonged to the Danes, no German Government has accepted this settlement as final. Since the advent of Herr Hitler the danger on this score has naturally become more acute; but it existed before 1933.

The blow to Sweden's ambitions in not getting the Åland Islands was somewhat mitigated by the fact that, through the establishment of Finland as an independent republic, Russia—her hereditary enemy since time immemorial—ceased to be a close and uncomfortable neighbour. But even though there is no longer a common frontier between Sweden and Russia, the old Russian bogey is still kept alive among the Swedes by active German propaganda. For over a hundred years, and with astonishing perseverance, an attempt has been made to persuade the Swedes and the Norwegians that Russia covets a part of their country in order to gain access to the open sea. Though no evidence has ever been produced of any such aggressive intentions on the part either of the empire of the Tsars or of the Union of Soviet Socialist Republics, there are still many people in Scandinavia who firmly believe in "the Russian danger". The periodically recurring scares about "phantom flyers" in the distant north are one of the many aspects of this national *idée fixe*. In 1934, for instance, there were two outbreaks of the "phantom flyers" mania. Skippers and peasants somewhere near the Polar Circle reported

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that night after night they saw mysterious aeroplanes flying over them, and these were at once taken to be spies of the Soviet Government. Yielding to the pressure of public opinion, which was considerably whipped up by sensational press campaigns, the Swedish Government sent experts to conduct extensive enquiries and researches. The sum of 12,667 kronor was spent on this enterprise and nothing whatsoever was found. In more recent times, in view of the renewal of rumours about mysterious night flights, the Government again took active steps. The most up-to-date radio sound-detectors were installed, and once again the result has been nil. Involuntarily one thinks of the Loch Ness Monster, with its similar genius for being seen by almost anybody except those best qualified to establish its identity, or in fact its existence.

Assuming, however, that people are flying by night over Sweden's and Norway's polar regions, it does not necessarily follow that these aviators are Soviet spies or that they represent a serious military threat. They may, for instance, be smugglers, since bootlegging is practised on a large scale in northern and north-eastern Europe; or again they may be irresponsible young Russian pilots who venture on their practice flights beyond the frontier of their own country. Whichever it may be, it is patently unsafe to attach much importance to these "phantom flyers", about whom nothing precise is really known.

But from an internal political angle these, as well as various other, real or imaginary dangers all have their value. For many years the Opposition, that is to say the bourgeois, parties in Scandinavia have found it increasingly difficult to establish any platform on which they could effectively challenge or fight the socialists and liberals in power. These Governments of the Left, whether by good luck or good management—it seems to have been a judicious mixture of both—have been so successful and, on the whole, so cautious and moderate that no adequate issue on which an appeal to the electorate could be made

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has offered itself for a long time. Under the circumstances it could hardly be wondered at that in all the three Scandinavian countries the question of national defence was eagerly seized by the Opposition parties and converted into a far more vital issue than circumstances would appear to justify. Without a realisation of the fact that the problem of military and economic preparation for a possible war, in which northern Europe might be directly or indirectly involved, is rather a domestic than an international issue, the importance it has acquired would be hard to understand.

It must further be realised that in all three Scandinavian countries the socialist Cabinets agree with the Opposition on the principle of preparation for military or other emergencies, and the only question is really the scope and the extent of these preparations. The parties of the Left are as firmly convinced as the parties of the Right that their country must be defended against foreign aggression, and there is no conflict between their pacifist ideals and their determination to safeguard their freedom and democracy at all costs. This situation obliges the bourgeois Opposition groups to concentrate their attacks on the methods rather than the principle of national defence, and in their desire to speed up or expand rearmament they may perhaps deservedly incur the charge of over-statement in presenting to the public a picture of the possible dangers and entanglements threatening northern Europe.

There seems to be general agreement on the fact that if a conflict were to arise the following main problems would have to be faced: the military position of Denmark, the neutrality of the Belts, the sales of Swedish iron ore to Germany, and the fortification of the Åland Islands. In view of the setback suffered by the League of Nations, and more especially the tergiversations of British and French foreign policy, the necessity for the northern countries to work out their own solutions and make their own preparations is becoming more and more generally

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recognised. *Scandinavia sara da se* might be these countries' new motto; at least they are considering how they can best look after themselves in a world that seems so full of uncertainties.

### II. THE DEFENCE OF DENMARK

A MERE glance at the map will reveal how extremely vulnerable Denmark is. Consisting as it does of one large peninsula and innumerable islands of different sizes, it has a coastline of 3,500 miles; moreover, it is as flat as a pancake. Its only frontier on land is that with Germany—a dissatisfied and explosive neighbour, who has been fostering trouble across the border with increasing determination. Not only is there a German (which since Hitler's advent to power means Nazi) *irredenta* in Danish North Schleswig, but on the other side of the border are some of Germany's most important war industries and aerodromes.

Denmark is at the invader's mercy from the sea, from the air and from the land. The truth that it cannot defend itself by its own efforts against one of the great Powers has long been generally recognised. Arguments about national defence are not new in Denmark. There was a famous Danish editor and politician called Hørup, whose dictum about armaments "What use are they?" (*Hvad nytte er det?*) dates back something like two score years; and the present Minister of Foreign Affairs, Dr. Munch—who is a fanatical believer in the ideals of the League—would probably agree with him. It is very largely under his influence—not forgetting that of Hr. Stauning himself, Denmark's venerable socialist Prime Minister—that the armed forces of the country have been reduced to their present level. They consist to-day of an army of 8,100 men, a navy with a total tonnage of 17,200 tons, and 85 aeroplanes.

Recognising that, in response to the national desire,

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something must be done, the Government has laid proposals before the *Riksdag*, the object of which is primarily to countervail the legislation of 1932, which was still aiming at further curtailment. Twenty million kronor \* are to be spent over a period of five years on the modernisation and new equipment of the army; of this sum, 10 million kronor are granted extraordinarily, that is, in addition to the normal estimates, which amount to about 26½ million kronor annually for the army alone. The number of trained men will be increased, especially in the infantry, for which 1,100 more recruits will be called up every year. The mechanised forces are also to be increased. The provision of a special anti-aircraft unit for the protection of Copenhagen is peculiarly important, since Denmark's capital is within easy bombing reach of the German frontier. In the navy, more ships and better manning are envisaged. The normal naval estimates will be increased by 1·1 million kronor, and in addition 9 millions will be granted extraordinarily to expedite the construction of new tonnage. This is intended to consist entirely of small vessels: torpedo boats, submarines, minesweepers and minelayers. From the very nature of these plans it will be seen that the authorities have in mind the protection of the Belts; altogether 22·8 million kronor are to be spent on new ships over a period of six years, and 1·5 millions will also be spent on improving coastal defence. In order to make these concessions Hr. Stauning and Dr. Munch must have overcome, not only some deep-rooted convictions, but also a legitimate reluctance to impose new burdens on a country that is already adversely affected by the rise in the price of raw materials, none of which it happens itself to possess.

Under the circumstances, it is hardly surprising that Hr. Stauning should have expressed a certain irritation in his speeches at Lund and Stockholm at the criticisms levelled against Denmark in the other Scandinavian

\* There are 22·4 Danish kronor to the pound sterling.

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countries for not going far enough in her rearmament programme. His reluctance to enter into any military arrangements with his fellow Scandinavians, and his sceptical attitude towards the help likely to be received from them if Denmark were to be attacked, can hardly be challenged. There is not very much that Sweden or Norway could do even if they did wish to come to Denmark's rescue, and the chances of Germany's attempting to recapture Schleswig or raiding Denmark in order to obtain control of her food supplies in case of war with somebody else are too problematical to justify any deviation from their present attitude of strict neutrality.

### III. SWEDEN AND HER IRON MINES

MOST intelligent Swedes dismiss the fairy-tales of the Russian bogey. But they have evolved a different theory of the threat to their country. In case of a conflict between Russia and Germany, which to some of them appears unavoidable, they do not believe that their traditional neutrality can be maintained. The well-known conservative paper *Svenska Dagbladet* was recently expressing a very widely felt apprehension that the huge sales of Swedish iron ore to Germany would cause Sweden to become involved in a clash, and would be made the object of strong pressure from both Russia and Germany. The former, it is suggested, would attempt to compel Sweden to discontinue her exports of iron ore to Germany, while the latter would be so dependent on these supplies for the pursuit of any war it might be engaged on that an effort at coercing Sweden in the opposite direction would be equally certain. Thus, it is felt, an outbreak of hostilities might result over these iron ore mines.\*

Unlike Denmark, Sweden is a country rich in natural resources, among which iron ore is of paramount importance. The deposits are concentrated in two main

\* See, for example, *Perhaps We Shall not Have War* by Colonel K. A. Bratt (Stockholm, 1937).

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districts : Bergslagen in the middle of Sweden and Norrland at the northernmost end of the country. It is the latter ore-fields (especially the two huge deposits of Kiruna and Gällivare, owned by the "Luossavaara-Kirunavaara A.B.",\* which is in turn controlled by the famous Grängesberg company) that provide most of the singularly rich ores for export, while the southern districts supply raw material for Sweden's own iron industry.

The state is largely interested in the northern ore-fields and regulates the mining; at present not more than eleven million tons may be mined annually.† In 1929, Germany took nearly eight million tons of this ore, while only just over one million tons were shipped to Great Britain. The sales to both these countries then fell very considerably; but they have been rising steadily since 1932, and last year they amounted to about ten million tons to Germany and nearly 1,340,000 tons to Great Britain. A great effort is being made by the Swedes to increase their sales of iron ore to Great Britain, both for political and for financial reasons. Forward contracts have been made, and in 1937 shipments to the British market are expected to touch the two million tons mark. Even then, Germany will remain by far the largest client, and the dangers inherent in the huge volume of her purchases would still be fundamentally unaffected.

Nearly one-half of all the iron ore imported by Germany in the course of the last five years has come from Sweden; if Germany were to become involved in a war, Sweden might prove the only possible source of supply. Whether these facts are sufficient to justify the fears expressed by *Svenska Dagbladet* and others it is difficult to say. Nor can one prophesy what would be the attitude of the Swedish Government in case of a Russo-German war, or indeed of any war in which Germany were engaged.

\* These curious names are of Lapp origin and mean "the salmon mountain" and "the grouse mountain".

† The known deposits in these fields are estimated at over 1,000 million tons.

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Opinion in Sweden is very divided on the question whether supplies could or should be continued in such circumstances.

Moreover, it is a question in which Norway as well as Sweden is involved. Its open seaport of Narvik, quite close to the mines, is the main outlet for these iron ore exports; Luleå on the Baltic, which handles the remainder, is much less convenient. And Norway's defensive position lies somewhere between those of Denmark and Sweden. With a coastline of nearly ten thousand miles it is almost as vulnerable as Denmark; on the other hand its means of defending itself are much greater. There is even less cause to anticipate any aggression than in the other two countries; but, if ever Norway were attacked, the fjords and the mountains would make the enemy's progress more than difficult. A blockade of Norway, for instance, is a technical impossibility, and her fine commercial marine—one of the largest and best in the world—could perform inestimable services in an emergency. Even Norway, however, has decided to spend an additional twelve million kronor \* on the improvement of her military preparedness, notably on the expansion of her small army, which at present consists of 5,730 men, with an air force of 96 planes and a navy totalling 23,212 tons.

One thing is certain: the desire of all the three Scandinavian countries to be neutral is so intense that it would probably dominate all other considerations. That does not necessarily mean that they have abandoned their adhesion to the principles of the League. Sweden has gone much further than Denmark or Norway in rearming and preparing for a possible emergency. She is, of course, by far the most prosperous of these countries, and the spending of 170 million kronor † per annum on national defence, which has recently been agreed by the Riksdag, comes comparatively easy to Sweden. Her present armed

\* There are 19·9 Norwegian kronor to the pound sterling.

† There are 19·4 Swedish kronor to the pound sterling.

## NEUTRALITY AND COLLECTIVITY

forces, which consist of an army of 25,000 men, a navy of 85,000 tons with 7,800 men, and 91 planes, is to be considerably expanded and modernised. A "defence staff" with a special chief for the co-ordination of all the defence services has just been created. Another important step has been the appointment of a "state commission for the economic preparation of war", with a number of affiliated organs or sub-commissions. Special attention is being paid to making the country air-minded. The famous industrialist and financier Mr. Axel L. Wenner-Gren has presented the city of Stockholm with some anti-aircraft guns and has recently established a new large aeroplane factory. The great Swedish munition firm of Bofors, in which he is interested, is also co-operating with Finnish groups with a view to helping the development of Finland's armaments.

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MEMORIES of her war of liberation against Russia, and a civil war immediately following that, date back less than twenty years; after such an experience it is hardly surprising that Finland should have deemed it wise to establish a comparatively large defence force, consisting of nearly 30,000 men (not counting the various "volunteer" formations) and a navy of 16,000 tons. Despite the fact that Finnish-Russian relations have greatly improved of late and that Finland has definitely joined the Scandinavian (that is, neutral) group, a further increase in her military strength is considered desirable, and an "eight year plan" has been introduced to that effect. Perhaps the most interesting consequence of this adjustment in Finland's relations with her neighbours on the one hand, and on the other the fear of a German hegemony in the Baltic, is that once again the question of the Åland Islands has come to the fore. As a concession to Sweden, these islands, which are of the utmost strategic importance in the Baltic, were demilitarised by the convention of 1921;

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to-day there are many people even in Sweden who would welcome their refortification as an additional protection for north-European neutrality. In a recent article on the struggle for the supremacy in Scandinavia and the Baltic, the Soviet paper *Pravda* has made some very ominous references to that contingency.

Finally there is the question of the closing of the Belts. That Sweden and Denmark can make it technically impossible for foreign ships to pass into the Baltic is an established fact. Whether they would avail themselves of this possibility would depend entirely on the situation facing them at a given moment, and it is idle to speculate on what they might do. Since Germany has denounced the right of foreign ships to use the Kiel canal, the situation in that respect has reverted to that of 1914—with this difference, however, that in those days there was a strong Russian navy to counterbalance the German one, while to-day there is none.

Such, then, are some of the strategic and political aspects of a possible clash in northern Europe. Despite all their military preparations, Denmark, Norway, Sweden, and Finland with their combined strength could hardly face a real war with Germany or Russia, if either chose to attack them—which does not yet appear at all likely. Moreover, the defence forces of these four countries are much too dislocated to be capable of combining in a joint operation. They could, however, make things very uncomfortable for an aggressor, while the courage of the people of northern Europe and their attachment to their native soil would undoubtedly turn them into formidable fighters. A war against the Scandinavian neutrals could probably not last very long before other countries were constrained to intervene. Great Britain, for instance, could hardly look with equanimity on a military conflagration in that part of the world. The question is therefore one of developing the spiritual and material resources necessary for meeting the first blows—if ever

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they are to come. A far more likely eventuality, however, is that of injury—both political and economic—to the countries of northern Europe by a struggle in which they themselves were not involved. And it is in that domain that the most constructive work is being done at present by Scandinavian experts.

They are studying the possibilities of developing inter-Scandinavian trade and of taking what other steps they can to maintain the high standard of living to which their people are accustomed.\* It is significant that their trade with each other rose from 10 per cent. before the war to 27 per cent. in 1918, while to-day it has relapsed to its old proportion, namely, about 10 per cent. The problem is a difficult one, since in many trades these countries are competitors and some of their industries overlap. But the most striking aspect of "the new Scandinavism" is not so much the co-ordination of foreign policy as the strong desire to promote the maximum economic collaboration both in normal times and in case of emergency. The revival of the ideal of the Oslo Convention is a case in point. Yet here, as in so many other instances, the final decision does not rest with the countries of northern Europe. The key to their economic—and largely also to their political and military—problems is not in their own capitals, nor even in Berlin or in Moscow, but in London. Until British foreign and economic policy becomes clearer, the wisest thing they can do is to go on making the preparations and adjustments on which they have already embarked. There is no "storm" over northern Europe. But, as Hr. Sandler—Sweden's distinguished Foreign Minister—told an interviewer during his recent London visit: "Preparedness, which need not be put to the test now, is better than improvisation dictated by necessity".

\* See pp. 503-505 above.

# THE COMING IRISH ELECTION

## I. ISSUES AND PARTIES

ON St. Patrick's day Mr. de Valera broadcast two messages to the Irish abroad, which were also clearly intended for home consumption, and may be described as the first salvo in the general election campaign. In his American address he dealt solely with the Government's social programme. Our people, he said, were overwhelmingly Catholic, having the Christian faith and the Christian philosophy of life. Our faith and our reason both made it clear that a solution of the economic problem, which in other countries had been driving men to violence, revolution, and war, was not to be sought along the lines of any sort of state absolutism, whether communist or fascist. The solution must, he said, be based upon a correct appreciation of the relation of the state to the individual. The state's function, in their belief, was to preside like a just father as the dispenser of social justice, and to see that the natural resources of the nation were so distributed among private individuals, and among the various classes, as adequately to secure the common good of all. His Government's social policy was to provide work, as far as possible, for those who were willing and able to work; to secure proper conditions of labour and ensure that the tender age of children and the inadequate strength of women should not be abused; to safeguard the economic rights of the less-favoured classes, and to contribute to the support of the infirm, the widow, the orphan, and the aged; to protect the family and the home, and to establish a greater security of home life by settling as many families as practicable on the land; and finally to prevent an excessive

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expansion of cities and urban areas by ruralising industry and distributing it in as small units as possible, without unduly interfering with efficiency or unduly restricting opportunities for development. Such a programme, he said, would not be easy to achieve. It required a will on the part of the entire nation which was not likely to be secured without a great deal more education and direction.

In his talk to Australia he dealt with the position of the Free State in the British Commonwealth. Whilst the other Dominions, he said, were satisfied with their political relations with Great Britain, which were in accord with their historic origin and development, Ireland, as an ancient nation, a motherland, altogether distinct and separate from Great Britain, was in quite a different position ; no relationship that failed to take full account of that fact could ever be satisfactory to the Irish people. Having denied the right of Great Britain to partition Ireland or to occupy Free State ports, he claimed that the first step towards really cordial relations between the two countries must be the frank recognition of the liberty of the whole Irish nation. The new Free State constitution would, he believed, secure that liberty as far as the Free State itself was concerned, and that would be a great step forward, but it was only when Northern Ireland came into the Irish state that good relations would be possible with Great Britain. (Like most Irish politicians, he ignores the fact that the real barrier to such a union is not Great Britain, but the difference of religion between the two areas involved—a difference which he himself placed in the forefront of his description of our attitude to questions of social reform.) He added that, as one of the motherlands, the people of Ireland were keenly interested in the fortunes of the young nations of the Commonwealth, who, with the United States, had more in common with us than any other nation. We desired to work closely with them all for the many ideals we held in common.

In spite of this solicitude, neither Mr. de Valera nor any

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representatives of his Government will attend the Imperial Conference. From an electioneering point of view it is obviously better tactics for them to remain aloof. In reply to questions in the Dail on March 31, he said it should be obvious to every member of the House that, in the existing circumstances, it would be of no advantage to the Free State to be represented at the Conference. As regards the Coronation he said, on February 24, that our attitude towards the ceremony must be one of detachment and protest while our country was partitioned and while the Coronation service implied discrimination against the religion to which the majority of our people belonged. In fact Mr. de Valera knows quite well that the only conference that really matters from our point of view is one with the British Government, which he can arrange at any time he likes. It is also obvious that the presence of an Irish delegation in London during the Coronation and the Conference might, under existing circumstances, easily lead to an embarrassing situation. If they attended the Coronation, or any official entertainments, their conduct would certainly be severely criticised by their followers in Ireland, and if they did not attend these functions it would probably cause unpleasantness in England. On the whole, therefore, it is probably safer for Mr. de Valera to remain at home. Representatives of the other Dominion Governments will probably be invited to visit Dublin after the Conference in order to discuss any questions that concern their relations with the Free State.

Mr. de Valera's recent conversation with Mr. MacDonald,\* however enlightening it may have been to both parties, has apparently had no great practical results. Of the latest edition of the coal-cattle pact much was expected by optimists, but the only fresh concessions to common sense it contained were the removal of the British duty of 20 per cent. on horses imported from the Free State, and of the Free State emergency duties on sugar and subsidiary

\* See *THE ROUND TABLE*, No. 106, March 1937, p. 362.

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products of British origin. While this will undoubtedly benefit the Irish horse-breeding industry, which has suffered seriously during recent years through the virtual loss of its principal market, it does not materially alter the existing situation. The Free State Government are still faced with the dilemma that all the foodstuffs consumable by the inhabitants of the Free State can be provided out of five million acres of our arable land, and that the best, and practically the only, customer for the produce of the remaining seven million acres is Great Britain. They are becoming increasingly conscious of this fact. Meanwhile, Mr. de Valera, though loudly proclaiming that no compromise can be considered, continues to pay over the land annuities in the most unsatisfactory way possible.

His recent statements indicate that his appeal for re-election will be based on a request for ratification of the new draft constitution and of the policy of external association with the British Commonwealth,\* a continuation and extension of his present economic policy, and promises of further social reforms. On this programme his return to office with an independent majority is virtually certain. The re-emergence of prosperity—in many cases more apparent than real—occasioned by the establishment of many small industries throughout the country, the process of land division among small-holders, the unemployment grants of various kinds, and the ambitious house-building programme, will all help to secure the Government's return. The ordinary man in the street is not really much concerned about such questions as external association or the unity of Ireland, which he is apt to regard as the politician's business, so long as they do not directly affect his material welfare. It is true that conditions are bad in our agricultural slums, such as West Cork, Kerry, and Connemara, but the people in these districts are long used to hardship and thankful for small mercies. They manage to eke out a miserable existence on subsistence farming and the dole, or by

\* See *THE ROUND TABLE*, No. 106, March 1937, pp. 348-356.

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obtaining employment on schemes of official relief work such as land drainage and road repair. The thinking minority, of course, realise that the fountain of public finance is not inexhaustible, and that it cannot continue to play indefinitely on the present scale, but their views will not, unfortunately, decide the issue.

There are also a considerable number of people who agree with the view, expressed by Mr. Frank MacDermot in the Dail on March 4, that the public interest is on the whole best served by the Government's remaining in office for another term, for the reason that although the Government have learnt a great deal since they took office, their political education is still incomplete. Moreover, Mr. de Valera is probably the only political leader in the Free State who could, if he wished, make a lasting settlement with Great Britain, and he is undoubtedly the only person who can count on an overwhelming support from public opinion in dealing with the terrorism practised by the I.R.A. It is notorious also that his Government as a whole have learnt the necessity for close and friendly relations with Great Britain. Mr. MacEntee, the Minister for Finance, recently said in a public speech that those who could bring such relations about would render good service, not merely to Britain and Ireland, but to humanity. It also must not be forgotten that the Irish people do not easily change their allegiance, and that every political leader we have had in modern times has enjoyed a life of power of at least ten years. Mr. de Valera is not likely to prove an exception.

For all these reasons he will probably secure the support of a large body of moderate opinion, which will more than make up for the loss of the extreme republican vote he received at the last election. These extremists will find themselves in a dilemma, because if they do not support Mr. de Valera's party they must vote for one of the others, whom they equally detest, or run candidates of their own, which will only display their weakness. In any event it

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may be doubted whether they have sufficient funds to contest more than a few seats. Probably they will not vote at all, but will confine their activities to some form of high-sounding resolution, such as that recently passed by the National Association of Old I.R.A., an organisation of retired warriors, which demands that the Government should "immediately re-establish the Republic proclaimed in 1916". Such declarations are the current coin of Irish politics and need not be taken too seriously. The Government have recently shown no inclination to court extremist support, and in fact banned two I.R.A. meetings at Easter.

The election programme of the United Ireland party, which has been rather inaccurately described by Mr. Cosgrave as one of "promise not promises", certainly makes a bold bid for popular support. On this occasion its leaders are clearly determined not to be outbid by Mr. de Valera. It promises a prompt settlement with Great Britain combined with whole-hearted and sincere membership of the Commonwealth; the derating of agricultural land; a 3-per-cent. recovery loan for the farmers; definite planning of industries indigenous to the land; tariffs, subsidies, and loans if necessary; the removal of taxes on raw materials and food; together with family allowances, life assurance benefits, and retiring pensions for industrial workers. At the same time, Mr. de Valera's economic policy is not to be unduly disturbed, government control is to be reduced to a minimum, the school age is to be raised to sixteen, education is to be further endowed, and greater facilities provided for recreation and sport. Finally, the usual pledges are given to resist communism, establish social justice, abolish partition, and reduce taxation! In short, it is a revised version of Mr. de Valera's promised millennium *plus* frank and friendly co-operation with the British Commonwealth, but it does not offer any prospect of relief to the harassed taxpayer. The difference between the two principal parties on economic questions is now one of tactics rather than strategy, because the Fianna

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Fail party practically admits that external, namely British, markets are still essential to our economic prosperity.

The Government press, no doubt with its tongue in its cheek, describes the United Ireland programme as an audacious and dishonest attempt to bribe the electorate, and Dr. Ryan, the Minister for Agriculture, alleges that it would increase expenditure by an additional £17 million a year. Although no doubt the settlement of the dispute with England would be of great financial benefit to the country, the carrying out of such a programme would certainly be very costly. One is rather forced to the conclusion that Mr. Cosgrave has outbid the Government for the purpose of raising the stakes rather than winning the game. Mr. de Valera's party indulged in exactly the same tactics in 1932, so they cannot now complain if Mr. Cosgrave follows suit.

It may be doubted, however, whether the United Ireland party would not have been wiser to ignore details and confine themselves to the essentials in which they differ from Fianna Fail, leaving the latter to reap the results of their extravagance and their incapacity to arrive at a settlement with Great Britain. Such a waiting policy, if not immediately successful, would certainly be more likely to bear substantial fruit in the future. In a speech at Cork on April 3 Mr. Cosgrave wisely emphasised that a settlement with Great Britain was the chief feature of his party's policy in the election. That policy was to reconstruct the national economy on a sound and enduring basis devised to secure greater value for agricultural production. They asked for no more and would be satisfied with no less than free entry of their products into Great Britain on equal terms with those of the other members of the Commonwealth. The negotiation of an agreement to that effect was not beyond the ability of an Irish Government, and would bring help and courage to the finest peasantry in the world, now sunk in hardship and misery. Denying that such a settlement implied surrender, he said that Mr. de Valera's

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Government, with its coal-cattle pacts, had substituted a system of annual piecemeal surrender for a determined effort to end the whole business. The organisation of Mr. Cosgrave's party is unfortunately not as good as his arguments, and they will find it very difficult to meet the financial strain of a general election.

If their prospects are not bright, those of the Labour party are even worse. Ever since they allied themselves with Fianna Fail their prestige has decreased, and they will be lucky if they retain their present miserable representation. Outside the cities their power is negligible. Their programme, as officially proclaimed, is to secure a more even distribution of wealth under state control, and a share in the direction and control of industry by substituting public utility corporations for limited companies. They strongly, and rightly, repudiate the vague general charge made against them that they favour communism, but they lack intelligent leadership and a clear policy. One reason for their weakness is the defective organisation of the trade union movement, which is a second-rate copy of that in Great Britain and bears little relation to the realities of Irish life. But their principal weakness is the fact that of necessity their policy is primarily social rather than national. Whilst a political showman of Mr. de Valera's ability is able to beat the anti-British drum and at the same time blow the social reform trumpet, he can always secure a larger audience. In the next Dail he will probably be entirely independent of Labour support, and this is all to the good. The number of Dail members will be reduced from 153 to 138, owing to the Revision of Constituencies Act, passed in 1935, and the abolition of university representation in the Lower House.

One serious result of the general election is the announcement by Mr. Frank MacDermot, the Independent member for Roscommon and formerly a Vice-President of the United Ireland party, that he does not intend to seek re-election. He is one of those rare people who place principle

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before party, and it is no exaggeration to say that his speeches have been among the most thoughtful and valuable delivered in the Dail. He has brought to its deliberations a spirit of candid courage and an international outlook on affairs which have been both stimulating and unique. It is to be hoped that his decision does not mean his complete withdrawal from public life. If the new Second Chamber is to be of value it should provide a seat for such a man.

## II. THE NEW CONSTITUTION

THE draft of the new constitution, after much delay, was finally published on May 1. It declares that the new Irish state shall be known as Eire, and shall comprise the whole of Ireland, but that " pending its territorial re-integration " its jurisdiction shall extend only to the existing Irish Free State. The new head of the state, to be known as the President, is to be elected by a direct vote of the people and to hold office for seven years. Any citizen over thirty-five years is eligible for election to this office, but he must be nominated by twenty members of the Houses of Parliament or by four county councils. He shall not be a member of either House. His principal functions will be to summon and dissolve the Dail or House of Representatives, to sign and promulgate laws, to exercise the supreme command of the defence forces, to pardon and commute punishment, and, with the approval of the Government, to send messages to the Houses of Parliament on matters of national or public importance. He shall not be answerable to either House for the exercise of the powers and functions of his office; but in the event of his impeachment for treason by two-thirds of the Senate his conduct may be reviewed by the Dail and, if two-thirds of that body declare the charge sustained, he may be removed from office.

The Dail is to be elected by direct adult suffrage under proportional representation as at present. The Senate is to consist of sixty members, eleven of whom will be

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nominated by the Prime Minister. Of the remaining forty-nine, the National and Dublin Universities, who will have no representation in the Dail, will elect three each, and the remainder will be elected from vocational panels by an electorate consisting of candidates for membership of the Dail who received more than five hundred first-preference votes or were returned unopposed at the last general election. The Senate will have power to delay Bills, other than money Bills, for a period of three months, and power to amend legislation, subject to the right of the Dail to reject such amendments.

Any Bill purporting to amend the constitution must be submitted to a referendum and approved by a majority of the people before it becomes law. Any other Bill must be submitted to a referendum if a majority of the Senate and not less than one-third of the Dail petition the President, and if he agrees that a referendum is necessary. A majority of votes at such a referendum, not being less than 35 per cent. of the voters on the register, will be necessary to veto a Bill.

The Prime Minister will be appointed by the President on the nomination of the Dail, and the Government on the nomination of the Prime Minister with the approval of the Dail. The members of the Government must be members of the Dail or Senate, but not more than two may be members of the Senate. Provision is also made for a new body consisting of "elder statesmen", to be called the Council of State, whose duty it will be to aid and counsel the President in relation to the exercise of certain of his powers and functions. It will consist of the Prime Minister, the deputy Prime Minister, the Chief Justice, the President of the High Court, the Chairmen of the Dail and Senate, former holders of any of those offices, and such other persons as may be appointed by the President.

In respect of the judiciary there is little alteration in existing arrangements. The decision of the Supreme Court shall be final and conclusive, and the President

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may, after consultation with the Council of State, refer any Bill to the Supreme Court for a decision upon its constitutional validity. Article 2A of the existing constitution, under which the special military courts function, is not re-enacted, but provision is made for the setting up of special courts where the ordinary courts are inadequate to secure the effective administration of justice and the preservation of public peace and order. A declaration of fundamental rights lays down that the state guarantees the rights of expression of opinion, religious liberty, private ownership, unarmed assembly, and the protection of the family as the basis of social order. Dissolution of marriage is forbidden, nor will a divorce obtained elsewhere be recognised.

The constitution contains no mention of the King or the British Commonwealth, but provides that

for the purpose of the exercise of any executive function of Eire in or in connection with its external relations, the Government may, to such extent and subject to such conditions, if any, as may be determined by law, avail of or adopt any organ, instrument or method of procedure used or adopted for the like purpose by the members of any group or league of nations with which Eire is or becomes associated for the purpose of international co-operation in matters of common concern.

In short, the principle of external association with the British Commonwealth, embodied in the legislation of last December, is to be continued, and the Free State, a republic in all but name, will apparently remain a member of the British Commonwealth and recognise the King for external purposes so long as it pleases its Government to do so.

The draft constitution is to be submitted to the electorate at a plebiscite simultaneously with the general election, and, if approved by a majority, will come into force within six months. In a broadcast address, on the eve of its publication, Mr. de Valera said that no one, he hoped, expected that with its adoption the national goal had been reached. There were many injustices that it could not directly remove : the partition of the country, the British occupation

## THE BUDGET AND AFTER

of portion of its ports, and the exaction by Great Britain of moneys which they in the Free State held not to be due. Legitimate dissatisfaction with these injustices would remain, and different parties would continue to propose different policies for dealing with them. The constitution as drafted would fit and not pre-judge whatever policies the people decided to adopt with regard to these matters. Within its framework domestic peace could be assured and, in the words of its preamble, "the unity of our country restored, and concord established with other nations". Unfortunately its enactment will, in fact, leave us farther than ever from these essential ends.

### III. THE BUDGET AND AFTER

FOR obvious reasons everyone expected Mr. MacEntee to introduce a popular budget, and he did his best to justify such expectations. For the coming year he estimated revenue at £31,741,000 and expenditure at £34,214,000. From the expenditure he deducted £1,970,000 for capital expenditure to be repaid from borrowing (this includes £1,296,000 for half the cost of export bounties and subsidies on agricultural produce due to the economic dispute with Great Britain), and £1,200,000 for over-estimation, making a net expenditure of £31,044,000. Out of the balance thus available he allocated £690,000 to reduction of taxation and other concessions, leaving an estimated surplus of £7,000. The remissions and concessions include fourpence a lb off tea, twopence a lb off butter, a farthing a lb off sugar, sixpence a cwt off imported wheat, £200,000 for widows' and orphans' pensions, £40,000 for pensions to the civil war veterans of the I.R.A., £43,000 for improved postal services and reduced charges, £30,000 for reduced stamp duty on bank notes, and—final mercy—£1,000 for minor income tax concessions. Last year, revenue showed a final surplus of £1,144,523 over expenditure, and in general the returns from duties and taxes greatly exceeded expectations. The

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net state debt now stands at £27,767,000, an increase of £3,737,000 since March 1932, when the present Government took office. This increase has been principally caused by the state's acceptance of half the burden of the land annuities, by the increased grants for housing, and by the additional responsibility incurred by the state for primary school teachers' pensions.

Mr. MacEntee described his budget as proof that, in spite of the British penal duties, the condition of the people had improved steadily, and that by prudent management and careful foresight the Government had increased the national estate, so that to-day "our little community was stronger in will, stouter in heart, and more confident of its future than it was five years ago". But of course this is not the whole truth. The Irish farmer is now paying half his former land annuity to the Free State Government, but he is also paying more than the whole amount of his former land annuity to the British Government by way of penal tariffs; finally, as taxpayer he is paying a considerable portion of the cost of the export bounties and subsidies necessary to maintain his position in the British market, and he is getting poorer prices for his livestock and farm produce into the bargain.

So grossly has the economic situation been mismanaged that quite recently the Government had to import a considerable amount of New Zealand butter to meet an acute shortage here due to over-exportation. This butter was purchased in Great Britain at ninety shillings a cwt and sold here at one hundred and forty-five shillings a cwt. In reducing food taxes Mr. MacEntee has acted wisely; for nothing has made his Government more unpopular than the increased, and rapidly increasing, cost of living, which has created and will continue to create labour unrest and strikes. As Mr. Cosgrave pointed out in the subsequent debate, however, the budget reductions represent a saving of only about sevenpence per week to a family of six. The official cost-of-living figures take no account of the burden

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imposed on consumers by the flood of tariffs, which continues without sign of abatement, although Mr. Lemass, the Minister for Industry and Commerce, recently announced that the Government's present programme of industrial development was nearly complete.

Meanwhile their agricultural policy, which involves the forced production of wheat, is certainly reducing the dependence of the British Isles on imported foodstuffs, at the cost of the Free State taxpayer and consumer. The whole tendency of the Government's policy is to develop industry at the expense of agriculture, and the long-period result will probably be a decline in the Free State population, an increase in the gross output of our agriculture regardless of the cost to the farmer, and therefore a poorer as well as smaller population with an increasing export surplus. We shall go on producing at increasing cost and diminishing profit, while Great Britain continues to protect her own farmers and collect the land annuities at the same time.

The tide of emigration from the Free State to Great Britain has actually quadrupled during the last six years and is still increasing. The demand for Irish labour, particularly female labour, will increase when the population of Great Britain becomes stationary in the near future; this will exert an adverse indirect effect on the true rate of increase in Ireland, because the women who emigrate are practically all potential mothers. Irish labour has always been extremely mobile. It poured across the Atlantic to America during the nineteenth century in spite of many difficulties. The journey to Great Britain is short, no restrictions exist, and the lower cost of living there is attractive. It is therefore difficult to see how this new migratory movement can be stopped without restrictive legislation, which would be highly unpopular and very difficult to enforce. It may well prove to be the Achilles heel of Mr. de Valera's Administration and a difficult problem for his eventual successors.

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### IV. REPERCUSSIONS FROM SPAIN

MEANWHILE the Spanish civil war continues to have repercussions in the Irish political arena.\* During February the Government introduced a Bill to carry out the agreement arrived at by the London Non-Intervention Committee, to which the Free State was a party, for the purpose of preventing the despatch of volunteers or war material to Spain. The Opposition took this opportunity to demand that the Free State should sever diplomatic relations with the Valencia Government. Their argument was that our national traditions left us no option but to declare that we were wholeheartedly and unmistakably on the side of General Franco, although they have apparently dropped their former proposal that the Free State should recognise his Government. While they admitted that positive intervention of any kind was inexpedient, they contended that it was vital, lest our own people should be misled, that the moral support of the Free State should as far as possible be given to the Burgos Government.

The most vehement attack on the Government during the debate was made by Mr. Patrick Belton, an Independent member, who is President of the Irish Christian Front, and who proposed that the Bill should not be proceeded with until the Free State Government recognised General Franco's Government. Mr. Belton, who is the stormy petrel of Irish politics, has belonged to nearly every party in turn and to none of them for long. The Irish Christian Front is avowedly a non-political body whose ostensible objects are to protect the interests of Christianity in Ireland and to prevent the spread of communism. It has no connection with General O'Duffy's Irish Brigade and has confined its Spanish activities to the supply of ambulances and medical supplies to General Franco's forces. Mr. Belton's speech was, however, strongly

\* See *THE ROUND TABLE*, No. 105, December 1936, p. 162, and No. 106, March 1937, p. 364.

## REPERCUSSIONS FROM SPAIN

political in character, and he threatened to mobilise public opinion against the Government on the totally false ground that they were favouring the cause of the Valencia Government. It thoroughly deserved the caustic comment of Mr. Frank MacDermot that such an attitude was tantamount to "cashing in on Christianity"; and certainly on this occasion the Church had every reason to say "Save me from my friends".

Mr. James Dillon put the position of the Opposition more clearly and fairly when he said that they believed that the forced passage of the Non-Intervention Bill at the same time as the return of the Irish Minister to the Valencia Government was bound gravely to misrepresent the moral position of our people, and to suggest to the whole world that here, in a Catholic democratic country, there was grave doubt whether Franco or Caballero was in the right.

Mr. de Valera, replying for the Government, in a lucid and statesmanlike speech, said that he had no doubt whatever that if the Spanish people were left to themselves they would settle the question in the right way. He was strongly in favour of the non-intervention policy; for what we did other nations would do also, and whilst the amount of assistance we could give was relatively small, the harm that could be done by other nations was relatively great. Intervention, he said, would be bad for the Free State, bad for Europe, and bad for Spain. He added that he detested communism, but fascism, if not equally bad, was a desperate alternative. He hoped the Free State would be saved from making a choice between them. Diplomatic relations, he pointed out, did not imply sympathy with the policy of the country with whom they were maintained.

Mr. MacEntee, the Minister for Finance, in a remarkable speech at the close of the debate, stated that in the event of another European war, in which Great Britain was involved, it would be impossible for the Free State Government to guarantee immunity from air attack or to maintain an attitude of neutrality. For these reasons it was, he said, the

## THE COMING IRISH ELECTION

duty of the Government and the Dail to pass the Bill so that they might keep this country out of the Spanish conflict and prevent it from engulfing Europe.

Mr. de Valera has acted very wisely and correctly over this difficult question. A smaller man might have allowed himself to be stampeded by political opportunists, like Mr. Belton and his journalistic allies, who have done their best to embroil the Free State in the Spanish civil war regardless of the consequences. On the contrary, he has honoured our international obligations and loyally adhered to a common policy directed to maintaining peace in Europe in face of the obvious temptation to strike an attitude and proclaim himself more Catholic than the Pope.

On the nomination of the Free State Government ten Irishmen are acting as official observers on the French frontiers and elsewhere on behalf of the Non-Intervention Committee, and the Free State has agreed to contribute its share towards the expenses involved. The Irish Minister to Spain, who at present resides at St. Jean de Luz with those of other nations, is no doubt technically accredited to the Valencia Government, but in practice he is really an observer and an intermediary between the Free State and Spain. The presence of Irish belligerents on both sides in Spain raises questions that demand his constant attention. Already fourteen Irishmen have been killed and thirty wounded fighting for the Valencia Government, whilst several of General O'Duffy's Brigade have perished on the other side. Like many other European nations, we seem to be settling our aggravated domestic quarrels on Spanish soil. If communism ever becomes a force in this individualistic country it will not be defeated on the battle-fields of other countries, but in the slums of our own cities. The best remedy for a disease that has its origin in social discontent is social justice at home and not foolish adventures abroad. Mr. de Valera must be given full credit for realising this fact.

The Irish Free State, May 1937.

## AMERICA: AT HOME AND ABROAD

### I. THE NINE OLD MEN

ON a sunny February morning this year, the Washington newspaper correspondents were walking in groups past the lovely portico of the White House and into the executive offices of President Roosevelt, for their twice-weekly press conference. At another time it would be interesting to digress into a description of this press conference; for on two occasions each week the Chief Executive of the United States submits himself to a verbal cross-examination, without warning or preparation, from some 125 more or less keen-witted newspaper correspondents from all parts of the United States and a few from abroad.

But the digression will have to wait. A few of the more observant reporters, on this Friday morning in February, noticed several glossy, official motor-cars in the White House drive. Evidently a Cabinet meeting was under way; but the Cabinet doesn't meet in the morning. Evidently, then, some crisis had arisen. The reporters cooled their heels for half an hour in the lobby.

Finally they were admitted into the President's own circular private office, decorated with ship-models and old sea prints, where Mr. Roosevelt surveyed them from behind an enormous desk laden with small images and trinkets like a puppet stage. Without warning, the President began to read a Message to Congress, proposing the "reform" of the judiciary. Then, and then only, did more than two or three intimate associates learn that Mr. Roosevelt was proposing to "pack" the Supreme Court—or to "unpack" it: the phrase is dependent on viewpoint and interpretation.

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Since that sunny morning of February 5, the Supreme Court question has been the dominant public preoccupation of the American people. Quite suddenly, all the emotions of the late and unlamented presidential campaign have returned. The line-up, broadly speaking, between the "haves" and the "have-nots" is once more exposed in this issue. Mr. Roosevelt has the support of some obedient and well-disciplined members of Congress—perhaps half of the Senate, though by no means a comfortable margin, and presumably a larger majority in the House. He has the support of organized labor in both conservative and liberal wings; he has the support of the less conservative farm organizations; he is joined by a number of venturesome lawyers and law teachers; and with him, as in the November election, there appears to be a large number of "common men", who believe the President is their friend, and will trust him against what some of them regard as judicial dominance.

The point of greatest difference from the November campaign is the nature of the opposition. This time the Republicans are keeping very quiet. The opposition to the President's plan in the Senate is led by two formerly loyal Democrats, one of them a well-known liberal, Senator Burton K. Wheeler, of Montana; and of the Democratic total of 76 members in the Senate, some 30 at least are "off the reservation".

President Roosevelt's proposal was typically bold. His Bill empowers him to appoint, until the total number of justices reaches 15, one new justice for each member of the Supreme Court—now fixed at nine—who shall not have resigned within six months of his seventieth birth day. A similar authority to appoint new justices in the lower federal courts, up to a total of 50 justices, is also proposed.

Since there are now six justices, or two-thirds, of the Supreme Court who are over 70, the President's plan would give him authority for a wholesale re-making of what is

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intended constitutionally to be a co-ordinate and independent branch of the government. If none of the present justices resigned voluntarily, there would be a 15-man court. Three of the present nine justices are known as "liberals" and have voted for the flexible interpretation of the constitution that the President seeks. They have supported his measures except in those cases—not a few—in which the New Deal laws were egregiously in violation of the basic law. Thus President Roosevelt's re-made Court would be composed of his six new justices, who would have to be confirmed by majority vote of the Senate, the three "liberals", and the other six members. The six new appointees, plus only two of the present "liberals", would constitute a clear majority to support New Deal legislation—if it is assumed that, after being nominated to the high tribunal for life, they would continue in the convictions they held before appointment.

Looked at from any viewpoint, President Roosevelt's proposal was startling, and to many sincere Americans it seemed brutally destructive of our constitutional system. For a century and a quarter, the Supreme Court has exercised the right to veto acts of Congress on the ground of constitutionality. Broadly, this power has been exerted in two directions: (1) to protect the people against violation of their civil liberties, and (2) in a strict interpretation of the constitution which has held up for years or even decades many useful social and economic reforms. Despite some chafing at the Court's checks in every period of active social reform—as in Theodore Roosevelt's time—nothing has ever been done to alter its authority. Proposals for restricting its power in one way or another have often been made, but always rejected. Indeed, the Supreme Court, as the protector of the sovereign and somewhat mystic constitution, has come close to being the sentimental Sovereign of these United States. An air of sanctity has surrounded the tribunal. Its justices have nearly always been old men, elder statesmen. They have

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embodied the ultimate assertion of a fundamental American principle that curbs must be placed upon democracy. Checks and balances, which run through American government from top to bottom, find their highest expression in the Supreme Court. To lay violent hands on this tribunal, then, was to enter the holy of holies.

Yet there are many people who find much to criticize in many decisions of the Supreme Court. It is a striking fact that witness after witness, appearing to speak against the President's proposal before the Senate Judiciary Committee, has begun by saying: "Of course, I don't agree with some of the recent decisions of the Supreme Court". Many of these witnesses have advocated even more drastic and permanent reform of the Court than the President proposed—but by the constitutionally established process of amendment, rather than by "court-packing".

The Court's authority has been greatly weakened by its numerous 5-to-4 decisions on grave questions. When four justices—in most cases the four included the Chief Justice and three of the most eminent jurists on the bench—declared that some act of Congress or a state legislature was constitutional, and only five thought it unconstitutional, the Anglo-Saxon principle of majority rule was placed under grave strain.

Some of these hair-line decisions, as in the outlawry of the New York State minimum-wage-for-women law last year, seemed to be bad law and worse social politics to some of the more conservative outside authorities. When it was recalled that social progress in the United States—during a time of crisis when even democratic government might be at stake—was at the mercy of one man in a group of nine justices of very uneven qualities, citizens might well question the principle of judicial veto. Eminent minority justices on the Court itself did not hesitate publicly to accuse their colleagues of voting in accordance with their "personal economic predilections". Steadily through 1936 the Supreme Court's prestige was slipping fast.



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Then came President Roosevelt's triumphant re-election. On the week-end after that victory, the President, his Attorney-General—an amiable hack politician, Homer S. Cummings—and two brilliant young brain-trusters, Tom Corcoran and Ben Cohen, set to work to get around the obstacle of the Supreme Court. From this group came the plan for appointing new justices in case those over 70 did not see the light and resign. The plan has all the defects of its cleverness. It is clearly constitutional, and fully within the power of the President if he can persuade Congress to follow his advice. On over half-a-dozen occasions American Presidents and Congresses have altered the size of the Supreme Court, sometimes with political motive. But never have they done so with so deliberate a motive and to such an extent as is now proposed.

For nearly three months, now, the plan has been under the close scrutiny of Congress and the people. The Senate Judiciary Committee has just finished protracted hearings, and in the course of a few weeks will probably report the Bill out to the floor of the Senate, although it is still uncertain whether a recommendation for enactment will be attached. And, as the world knows, even after a measure is out on the Senate floor, it may be delayed indefinitely. Before the Norris amendment, which in 1933 ended congressional sessions with fixed dates of adjournment, filibustering was a potent weapon, for Senators could simply talk until the compulsory date of adjournment had come. Now the possibility of talking a Bill to death is not so great, but a powerful minority can block a vote in the Senate indefinitely. Hence the opponents of the Court plan, who have admittedly as many as 40 out of 96 votes, are strong enough to defer action until exhaustion sets in or a compromise supervenes.

A month or two ago it looked as if the President would have his way in the end. He was—and is—displaying a formidable combination of Dutch patience and stubbornness.

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Many a time before, Mr. Roosevelt had conducted a sit-down strike of his own, certain that he could wait longer than Congress. In the present situation he has displayed immense insouciance. He presented his plan to Congress, talked it over in a series of interviews with leading Senators and Representatives, and—went fishing. Meantime, nearly all legislative work has been held up, pending the outcome of the Court fight. Returning to Washington, the President re-studied the budget situation, made recommendations of economy to Congress, and—went fishing again. Had the actors in this crucial drama been limited to the President and Congress, he might well have had his way in a few weeks more.

But suddenly the situation was changed greatly by the Supreme Court itself. The “liberal” minority of the Court changed into a majority. To Justices Brandeis, Cardozo, and Stone, who had supported many New Deal laws, were joined not only Chief Justice Hughes, who had been on this side of the fence before, but also Justice Roberts. And that makes a total of five votes.

The new majority proceeded to hand down several sensationaly changed decisions. It is highly unusual for the Supreme Court to reverse itself, save perhaps over some early and confusing decision after a lapse of many years. But within a few weeks, since President Roosevelt’s plan has been rocking the country, the Supreme Court has reversed—to all intents and purposes—two decisions on which the ink was not a twelvemonth dry.

The first reversal was of the decision which had thrown out the New York minimum-wage law. That decision, coupled with earlier decisions against federal minimum-wage laws, created the “no-man’s-land” within which the Court seemed to say that no government, either state or national, could legislate. The decision was no older than June 1936. But in an historic decision in March 1937, Justice Roberts reversed himself (reversed in a manner of speaking; there is a pretty good legal loophole for him,

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but the public ignores it) and now state minimum-wage laws for women are constitutional.

A fortnight later almost the same thing happened in the Wagner Act decisions. A year before, five members of the Court had declared manufacturing to be of purely local concern, not a part of "interstate commerce", and hence not susceptible of regulation by Congress. But in April 1937 five members of the Court—again by reason of a shift by Justice Roberts—decided that Congress could regulate labor relations in manufacturing and other industries, although intrastate in character, when such control was necessary to protect interstate commerce from obstructions. Other less important decisions of the Court showed the same trend. Before last November's election the New Deal had lost 11 cases in the Supreme Court and won two. Since the election it has won seven cases and lost none. As Dean Dinwoodey, editor of the United States *Law Week*, put it :

A "new" Supreme Court, or at least a "new" majority of the Supreme Court, has made its debut to "save" the judiciary.

This "new" Court has been steadily striking off the shackles it had formerly placed upon social progress. This is commonly regarded as a result of the judicial statesmanship of Chief Justice Hughes, whose major task, as he interprets it, is to preserve the eminence and prestige of the Supreme Court.

There is another important factor. Early New Deal laws were atrociously drawn and hastily enacted. Many of the early defeats in the Supreme Court were not by 5-to-4 majorities, but by 9-to-none. Such cases would not be reversed even by a six-man addition to the bench. Of the 11 cases outlawed by the Supreme Court, six have been reversed in effect by passage of improved legislation which has been upheld by the Court, the need for two or three others has passed, and in one or two cases the illegality was and is patent. In short, the "new" Court is saying : "See ! We are not obstacles to progress, once

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you come to us with soundly drafted legislation." To which President Roosevelt replies: "How do I know that your new decisions will stick? Formerly you created a no-man's-land. Now it is Roberts-land." And he insists on pressing ahead with his Court-enlargement plan.

The situation, protracted and stultifying as it is, remains completely uncertain. Possibly President Roosevelt's grim determination to sit tight—and go fishing—will overcome Congressional resistance. More probably some form of compromise will be reached, when Washington has swung into its tropical summer and Congressmen yearn for home.

One apparent compromise would be for President Roosevelt to cut his prospective judicial appointees from six to two. The Court would not be packed quite so tightly, but the result might be the same. Or, upon intimation that one or two of the present justices would retire voluntarily if the President withdrew his plan, he might do so, and with some of his present friends and foes unite on a constitutional amendment for a fixed retirement age, or some one of the scores of reform proposals that are now being aired.

In any event, we are in the throes of as profound an inner-political crisis as has riven the American scene for many years. It is surprising that President Roosevelt's prestige has not sunk lower than it has with such a proposal in his second term, when presidential standing begins to tail off anyway. But the jaunty Chief Executive seems to be going on as ever, with imperturbable verve. As before, the same people become choleric at the very thought of his doings; the same men-in-the-street say: "Well, maybe Roosevelt's right"; and bewildered Congressmen get serious pains in the neck trying to keep both ears to the ground at once.

### II. AMERICA AND THE DEMOCRACIES

SUCH an inordinate amount of space devoted to this single issue is but expressive of its place on the current American scene. There are plenty of other problems

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of no little importance, particularly to other nations. We have had, for instance, just about the busiest season of Anglo-American interchanges since the world war period. It is highly unusual for a British Cabinet Minister to come to Washington, as Mr. Walter Runciman did; no less important were the visits of Mr. Mackenzie King and Lord Tweedsmuir, each opening a different sort of channel with the British peoples. To cap the series, Mr. Norman H. Davis caught a boat for England to talk over various possible forms of American collaboration in the challenging search for a stable peace.

The comings and goings reflected President Roosevelt's willingness—previously recorded in *THE ROUND TABLE*—to do "something" helpful in the current world crisis. It was, however, extremely difficult to find a course of action that American public opinion would support. Facing the British rearmament program, it is no time to talk of disarmament, and Mr. Roosevelt himself plainly and publicly indicated his sympathy with nations forced to arm reluctantly in self-defense. Nor will the outlook for an Anglo-American reciprocal trade agreement be clear until after the Imperial Conference. On the American side, it is almost hopeless to talk of new war debt negotiations, or financial assistance to Germany. The American public, and especially the Congress, would prefer to retain the defaulted debts as an awful warning against new lending, rather than accept payments on anything much short of a 100 per cent. scale. It is surprising that no debtor nation has yet realized this fact, and made an offer of, say, 50 per cent. or 60 per cent., which would certainly be rejected, but would remove from the debtor the obloquy of default.

One thing, however, has been made increasingly clear by everything President Roosevelt has done in the foreign field, and by all these special interchanges with Great Britain. It is that the United States is definitely in sympathy with the democracies. The public parading of these sympathies has—according to reports reaching Washington

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—had a perceptible effect in Berlin, and perhaps less in Rome. The weight of American public opinion and governmental sympathy cannot be ignored, and President Roosevelt misses no opportunity to strike a verbal blow for the democracies. American-German relations are in very prickly shape, far more so than in 1914; and this fact should not escape the Wilhelmstrasse.

The neutrality Bills, having passed both Houses of Congress in variant forms, have been ironed out in the form of somewhat greater flexibility for the President. Instead of making mandatory upon the President a cash-and-carry embargo on all materials consigned to belligerents, the present draft leaves any embargo upon materials entirely optional with the Executive, although the Act authorizes a cash-and-carry embargo at his discretion. In either case, nations with money and ships have nothing to worry about; they can get anything they wish from the United States, except credit.

We have the impression in Washington that the British Government has not been particularly receptive to President Roosevelt's well-meaning though vague willingness to support some peace plan. Mr. Davis, it is the impression here, was not taken very seriously in London. Mr. Runciman certainly held out little tangible prospects for a good, tit-for-tat reciprocal agreement when he was here. In short, it is being said that a conservative Ministry in London is behaving traditionally toward Washington; or at least that it is skeptical, aloof, and unimaginative. Of course, non-partisan observers of American policy find a good deal of justification for the Baldwin Government's attitude. After all, President Roosevelt has behaved impulsively and somewhat irresponsibly toward Europe, and the 1933 experience of the London Economic Conference must have left its mark. Nevertheless, if these past experiences can be subordinated, and Mr. Roosevelt's present co-operative mood recognized and capitalized, it may be of lasting importance to the world.

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If Great Britain misses the opportunity at this juncture to make the most of President Roosevelt's tentatives toward co-operation, American policy may take a different turn. Traditionally, the United States has approached European politics through Great Britain. But a new channel is appearing, and it may be an historic appearance. Early in June, Premier Paul van Zeeland, the American-educated Belgian statesman, is coming to Washington to confer with President Roosevelt. He comes as the leading representative of the Oslo group.

M. van Zeeland offers to the United States—whether he or many others have realized it or not—an entirely new interpreter between America and Europe, and a link not without its merits from the viewpoints of United States public opinion and policy. Opinion here has always suspected the possibility of undue British influence over our diplomacy; the State Department is constantly accused of being Anglophile; people are always saying that the United States will be used to snatch this or that handful of British chestnuts out of the fire. However far-fetched these opinions seem to informed people, they nevertheless exist, and always make Anglo-American diplomacy a somewhat delicate operation.

But the Oslo group—the little Powers, the neutrals, the Scandinavians, the European "good neighbours"—make quite a different picture. There would be no political difficulty involved in contacts with the European neutrals, whose conduct in the late war was apparently not unlike what the United States would like to do itself in the next—with some notable exceptions. And is not the United States the great protagonist of neutrality? Has it not stimulated an "area of neutrality" in the western hemisphere? Why not widen the area by including the European neutrals? In a word, are not the Oslo group policies very similar in fundamentals to latter-day American policy? Particularly, trade policies are similar. So M. van Zeeland's visit should not be ignored. It may be a

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turning-point in American-European relations. Or, of course, it may be just a perfunctory call.

### III. BUSINESS AND BUDGETS

THERE remain two other issues of transcendent American interest: labor troubles, business recovery, and possible inflation on the one hand, the national budget on the other. It has been a winter of strikes, made spectacular by the spreading use of the sit-down technique. Strikers have possessed themselves of factories in all parts of the country, and held on until an agreement was reached. The technique has aroused profound misgivings in many quarters. Sit-down strikes are plainly illegal; from the kidnapping of a factory to the kidnapping of an employer is not a long step. Yet there are illegalities on the other side. The Lafollette Committee, a senatorial group investigating various violations of civil liberties, revealed widespread use of espionage, company spies, and labor intimidation in the biggest and most civilized of mass-production industries. It showed certain areas of the nation, such as the important coal-producing Harlan County, Kentucky, where terrorist company policy ruthlessly prevented union organization.

It has been increasingly clear that the United States must make more rapid progress toward sane organization of labor and unquestioned recognition of collective bargaining; then responsibility can be demanded of employers and unions alike. So long as the present anarchy prevails, and collective bargaining is frequently prevented or rendered a farce, use of excessive weapons like the sit-down strike is to be expected. Revelation of these excesses on both sides was important in bringing widening recognition of the right to collective bargaining. Then the Wagner Act decision established the right beyond doubt. Unionization goes on apace. It is to be expected, therefore, that the winter's toll of strikes will decline, that settlements will be

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more rapid. The dramatic and unprecedented agreement between our steel king, Myron C. Taylor of United States Steel Corporation, and the labor king, John L. Lewis of the United Mine Workers and the new labor storm troops—the Committee for Industrial Organization—has set a notable example, and averted the most threatening strike of all.

The strike chapter is not closed, of course. But with every labor victory—and they have been nearly all victories for labor, this winter—the day comes nearer when labor can be asked to accept responsibility for its successes. Even Henry Ford, who declared unending war against unionism a few days before the Supreme Court's Wagner Act decision, sang a mild song two days thereafter. "Why, yes," said Mr. Ford, in effect, "I have always believed in collective bargaining. . . ."

While the strikes have undeniably slowed recovery, of course they have not stopped the upward cycle. Under the double stimulus of greater purchasing power at home and the rearmament boom abroad, American prices are rising sharply, and industrial production mounts apace. The familiar spiral of rising wages and prices is in motion before our eyes. Since February, the armament race has had clearly more perceptible effects here, and wage increases have multiplied. Forward buying is under great impetus. The Federal Reserve Board is doing what it can to prevent inflation by raising the reserve requirements of member banks to their maximum, and by sterilizing gold imports, to a volume already exceeding \$500,000,000.

Monetary authorities would plainly welcome a mild recession through a drop in forward buying, but they are anxious to keep the recession mild by maintaining low interest rates in order to stimulate long-term investment in plant and equipment. Steps toward all these objectives have been taken in recent weeks by the Federal Reserve Board, which has greater power over our economy than at any prior time, and is more alert, under its canny Utah Scotsman, Marriner S. Eccles.

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At the same time, President Roosevelt has begun an "economy drive". In a candid budget message, he recognizes the excessive estimates he gave in January, foresees the possibility of a \$400,000,000 deficit in the next fiscal year when he had announced a balanced budget in January, but states that every effort will be made to attain the balance through economies. No new taxes are contemplated this year, but the nation is warned that at the next session of Congress, in 1938, new taxes will emphatically be in order.

The chief disturbing factor, most provocative of inflationary alarms, is not the fact that the budget is not yet balanced, but the new high level upon which federal expenditures seem to have stabilized themselves. And in the face of a boom—of an ascending spiral of wages and prices—it still seems necessary for the President to recommend straight relief expenditures, exclusive of various collateral projects for the under-privileged, costing no less than \$1,500,000,000 in the coming fiscal year.

In the pre-war years the American budget ran at about \$1,000,000,000 a year. After the war the stable plateau of expenditures was around \$3,000,000,000. Now, in the post-depression period, the "emergency" spending of the early New Deal seems fixed at around \$7,000,000,000. Year by year, as recovery has slowly come, the government's expenditures have risen. In 1933 they amounted to \$5,100,000,000. Next year they were up to \$6,700,000,000. In 1935 they reached \$6,850,000,000. Last year, without counting the soldiers' bonus, they were at \$7,100,000,000. This year they reach \$7,600,000,000, and next year's total is \$7,725,000,000.

This rising curve of expenditure has coincided with better business, decrease of unemployment, doubling of industrial payrolls, and great rises in farm income. Part of it is accounted for by the continuing incubus of relief; part of it is the hang-over of depression operations which are just being finished; but the major part is the expansion of

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regular governmental functions during a mushroom era—the assumption of more and more tasks by the federal authorities. Possibly this growth is inevitable; possibly the United States is spending no more in proportion to its national income than other nations; but citizens are asking from what reservoir will the deficits of the next depression be taken?

Such reflections have produced a considerable economy urge in Congress, which has to fight its way fiercely against special interests and groups, all interested in economy in principle, but struggling tooth-and-claw for their particular subsidy. Whether real economy will be possible has yet to be demonstrated. If not, the broad economic position of the republic will continue to disquiet citizens, but the fact that they are already armed and fighting is a hopeful sign.

Altogether, therefore, these are stirring times in the United States, even as in the rest of the world. But mainly it is internal questions that are preoccupying Americans these days. Except, that is, for the lively interest being shown in the Coronation, of which enough evidence is doubtless visible in London.

Mr. Roosevelt himself, in a message to the *Christian Science Monitor* on that newspaper's coronation issue, put in simple words the serious American's interest in what the President called "the enlargement of understanding between the English-speaking peoples on this historic occasion". He said: "It is a simple statement of fact, but one which cannot be too often affirmed, that the United States and Great Britain have one common concern—the preservation of peace throughout the world. While national means and methods of contributing to a peace more secure and more stable may rightly vary, this common objective stands ever a common inspiration."

United States of America,  
April 1937.

# CONSTITUTIONAL CRISIS IN INDIA

## I. THE RESULTS OF THE ELECTIONS

A FEW days before the inauguration of provincial autonomy on April 1, the Indian National Congress raised a vital constitutional issue which resulted in a refusal by its provincial leaders to form Ministries in the six provinces where they secured elected majorities. This situation has caused grave concern in London, Delhi, and the provincial capitals of British India.

In the recent elections the Congress obtained substantial majorities in Madras, the United Provinces, the Central Provinces, Bihar, and Orissa; in Bombay the party had a majority of only one, but other elements enhanced its strength. In Bengal and in Assam the party formed the largest single group, but did not have a majority over the combined strength of others. In the North-West Frontier Province the Congress emerged as the second largest group, but in the Punjab and Sind its position was weak. Its most notable successes were secured in Madras and the United Provinces, where elements previously regarded as the natural leaders of the people were severely routed. The Justice party of Madras was badly defeated; and the National Agriculturist party in the United Provinces, which was thought to be a serious rival to the Congress, was virtually eliminated.

In the Punjab, the Unionist party gained the success that had been anticipated, and has formed the most stable Ministry in the country. In Bengal the situation was complicated by the variety of parties, which has resulted in the

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formation of a coalition Ministry. In all five provinces where non-Congress elements secured majorities, Ministries have been formed and are functioning under the new constitution; in the remaining six provinces, alternative Ministries had to be drawn from the minority elements in the new legislatures.

The large majorities obtained by the Congress are generally traced to the sentimental regard felt for a movement that originated and fostered nationalist aims, to an elaborate party organisation, and to prevailing discontent with the existing order, which the Congress has adroitly dramatised for political purposes. But the party also sponsored a realistic social and economic electoral programme. This included reforms in the land-tenure system, reductions in land rent and revenue, and a more equitable adjustment of agricultural burdens, giving immediate relief to the peasants. The party promised to deal with the question of agricultural indebtedness, and to improve the lot of industrial workers. Untouchability and other social anachronisms were to be removed, and the treatment of "political prisoners" was to be examined and improved. This programme was wrapped up with a more general policy of seeking to end the constitution and substituting something nearer to Indian aspirations, but there is no doubt that the practical programme of the party made a strong appeal to the less sophisticated electors. The election results proved that the Congress had deep-rooted support in the country; for the new electorate brought to the poll nearly 28,000,000 voters who had never before exercised the franchise. It was clear that these electors were willing to give the Congress an opportunity to carry out its programme in the legislatures.

The party's success brought its leaders face to face with an issue that had long been deferred: the question whether they would assume office if they secured majorities. It was generally recognised that a party which had so long been in opposition would find some difficulty in suddenly transforming its policy into constructive shape. For some months

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there had been indications in the nationalist press that the Congress, in turning to co-operative paths, would ask for some assurance from the Governors in regard to the use of their reserve powers. The Congress leaders have always contended that no responsibility existed in provincial autonomy so long as those powers vested in the Governors. At one time the view was expressed that a written assurance should be obtained from the Governors, but this was condemned, even in the Congress press. The more moderate elements in the party were willing to assume office without any assurance from the Governors, believing that the party's best safeguard lay in the support it had received from the electors. But the Left-wing section proved strong enough to secure the adoption of a demand for an assurance as a condition of the acceptance of office.

### II. THE CONGRESS RESOLUTION

THE office-acceptance issue was given concrete form in the middle of March, when the Congress Working Committee and the All-India Congress Committee met in Delhi to decide the question. In the Working Committee, as Pandit Jawaharlal Nehru later confessed, a sharp division of opinion arose. There were, apparently, three conflicting factions : those who advocated unconditional acceptance of office ; those who urged acceptance with a condition for a limited period ; and those who were entirely opposed to assuming office. The last faction appeared to be stronger than many had supposed it would be, but it was counteracted to some extent by the views of most of the Congress district and provincial committees, which had previously submitted opinions in the main favourable to the acceptance of office. It soon became clear that some compromise would have to be devised, and it is believed to have been at this stage that Mr. Gandhi's advice was sought. Although not himself a member of the Working Committee, Mr. Gandhi attended the meetings, which were held in his

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*barjan* colony on the outskirts of old Delhi. After twenty hours of private discussion the committee adopted a resolution authorising conditional acceptance of office.

This decision had still to be ratified by the All-India Congress Committee, and it was again evident that opposition to acceptance of office was substantial. Particular objection was taken to a phrase in the Working Committee's resolution which confined the assurance required of provincial Governors to the party's activities "within the constitution". Anything that implied acceptance of the constitution was strongly opposed, and the Working Committee voluntarily amended the phrase, by deleting the words "within the constitution" and substituting "in regard to their constitutional activities". In announcing this alteration, Pandit Nehru said it represented no vital change in intention, but in the light of later events there are many who think it had some influence upon the attitude of the Governors. During the debate on the resolution many of the party's most prominent leaders spoke. They contended that the assurance sought from the Governors did not imply an undertaking on the part of Congress but was meant to put to the test the Government's profession of the reality of provincial autonomy. The resolution was finally carried by 127 votes to 70. A socialist amendment refusing to accept office was defeated, and an amendment to delete the phrase requiring an assurance received only 60 votes.

The main question of acceptance or non-acceptance of office obscured all other clauses in the resolution that was passed, and at the time few attached importance to the preamble. There were many, indeed, who contended that the operative clause of the resolution ran counter to all that preceded it, a view that is not apparently held by Mr. Gandhi and the other leaders of the party. The importance of the resolution as a unitary document was not appreciated, and it is not inconceivable that the *impasse* created later by the Congress refusal to take office derived to some extent from

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the dual interpretation to which it is exposed. The resolution said :

The All-India Congress Committee records its high appreciation of the magnificent response of the country to the call of the Congress during the recent elections and the approval by the electorate of the Congress policy and programme. The Congress entered these elections with its objective of independence and its total rejection of the new constitution and with the demand for a Constituent Assembly to frame India's constitution. The declared Congress policy was to combat the new Act and end it.

The electorate has, in an overwhelming measure, set its seal on this policy and programme, and the new Act, therefore, stands condemned and utterly rejected by the people through the self-same democratic process which had been imposed by the British Government; and the people have further declared that they desire to frame their own constitution based on national independence through the medium of a Constituent Assembly elected by adult franchise.

The Committee, therefore, demands, on behalf of the people of India, that the new constitution be withdrawn.

In the event of the British Government still persisting with the new constitution in defiance of the declared will of the people, the All-India Congress Committee desires to impress upon all Congress members of the Legislatures that their work inside and outside the Legislatures must be based on the fundamental Congress policy of combating the new constitution and seeking to end it, a policy on the basis of which they sought the suffrage of the electorate and won their overwhelming victory in the elections. That policy must inevitably lead to deadlocks with the British Government and bring out still further the inherent antagonism between British imperialism and Indian Nationalism, and expose the autocratic and anti-democratic nature of the new constitution.

The All-India Congress Committee endorses and confirms the resolutions of the Working Committee passed at Wardha, on February 27 and 28, 1937, on extra-parliamentary activities of the Congress members of the Legislatures, mass contacts and the Congress policy in the Legislatures, and calls upon all Congress men in the Legislatures and outside to work in accordance with the directions contained in them.

On the pending question of office acceptance and in pursuance of the policy summed up in the foregoing paragraphs, the All-India Congress Committee authorises and permits the acceptance of Ministerial offices in the provinces where the Congress commands a majority in the Legislature, provided that Ministerships shall not be accepted unless the Leader of the Congress party in the Legislature is satisfied and is able to state publicly that the Governor will not use his special powers of interference or set

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aside the advice of the Ministers in regard to their constitutional activities.

The operative clause of the foregoing resolution expressly took cognisance of all that preceded it. In effect, the early part of the resolution about ending the constitution was presumably meant to apply to future action within the Legislatures as well as outside them.

### III. THE CONGRESS AND THE GOVERNORS

WHEN the Congress delegates dispersed from Delhi it was not thought anywhere in the country that the resolution they had adopted would result in a refusal by the provincial leaders to form Ministries. The party leaders, indeed, were lauded for their "statesmanlike decision", and the view was commonly held that the assurance sought could readily be granted. Few had analysed the constitutional implications of the condition attached to office acceptance; for everyone believed that in approaching the Governors the Congress leaders expected to obtain merely a general assurance of friendly co-operation with a party that had so long been in opposition that it was virtually treated as an "enemy" by the authorities. Even in official circles the first opinion appeared to be that the demand could be met, and there was an early impression that the Congress had made the way easy for collaboration between the new Ministries and the Governors. The *Hindu* of Madras and the *Tribune* of Lahore, as well as other prominent nationalist newspapers, took that view. The *Servant of India*, a Liberal weekly, was almost alone in saying it was difficult to see how office-acceptance on the terms laid down was possible unless either the Governors or the Congress leaders were false to the responsibilities of their positions.

The expectation was not fulfilled. When the delegates returned to their provinces the provincial leaders were

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invited by the Governors to discuss the formation of Ministries. From the published accounts of these discussions it was inferred that difficulties had arisen. It appeared that instead of satisfying themselves in a general way as to the Governors' intentions the Congress leaders were asking something much more specific. In a series of similar statements the Governors indicated that what the Congress leaders sought could not be conceded under the Act, since it placed mandatory obligations upon the Governors which they were unable to renounce, even if willing to do so. In view of this interpretation the Congress leaders declined to form Ministries, and political thought throughout the country was thrown into a state of bewilderment.

It became clear for almost the first time that Congress men as a body were willing to assume responsibility, and even the party's own press was surprised at the turn events had taken. Nearly all the pro-Congress newspapers were inclined to place the blame for the deadlock on the authorities, although some of them recognised that it was legally impossible for the Governors to give the assurance wanted. Some effort was made to analyse what had caused the divergence between the view that prevailed in Delhi and the outcome of the negotiations in the provincial capitals. An opinion emerged that the upper hierarchy of the party had stiffened its attitude after the resolution had been endorsed by the All-India Committee, and that the manner in which the demand was presented to the Governors was not the manner in which the committee had anticipated it would be presented. The British-owned press was severely critical of the Congress leaders; and the Moslem press, hostile to a demand for assurances from the first, was appeased by the fact that it had not been met.

Liberals generally contended that the demand implied an abrogation of the Act. Chief among the spokesmen of this view was Sir Tej Bahadur Sapru, whose long association with the Round Table Conferences in London gave his opinion authority. He stated that the interpretation

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of the Act by the Governors was right and that they could not contract themselves out of their statutory responsibilities. He admitted that the statute did not prevent the growth of conventions, but conventions emerged from practice, and practice in this case meant working the constitution. The Congress press became violently hostile to any suggestions that Congress men sought to violate the Act, and the controversy thus created elicited a statement from Mr. Gandhi.

In that statement Mr. Gandhi claimed to be the sole author of the conditional clause in the Congress resolution, and insisted that the condition was not intended to abrogate the Act. He pointed out that the Congress policy was to secure not an amendment of the Act but the absolute ending of it. The object of that section of the Congress which believed in office-acceptance was to utilise office to strengthen the party's hold on the electorate, pending the creation of a situation that would transfer all power to the people. Mr. Gandhi felt that this object could not be secured unless there was a gentlemanly understanding between the Governors and their Congress Ministers that they would not use their powers of interference so long as Ministers acted within the constitution. Not to do so would be to court an almost immediate deadlock after assuming office. Mr. Gandhi argued that there was nothing extra-constitutional in such an undertaking by the Governors. He contended that the Congress formula asked for nothing more than British Ministers had previously said was intended, namely, that "ordinarily the Governors would not use their admittedly large powers of interference".

This statement unified the Congress ranks. Its moderation implied that Congress still sought some way out of the difficulty, and inclined many to think that the party did not in reality desire to lay down a condition which made the acceptance of office impossible. There arose a widespread demand that the Viceroy should send for Mr. Gandhi in order that the issue might be resolved. Before the Congress

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passed its Delhi resolution, Lord Linlithgow had indicated in a public speech that all representatives of the Crown in India would extend the most cordial collaboration to provincial Ministries of whatever political colour. The claim was now made in the Indian press that the opportunity had arisen for the Viceroy to justify his statement.

### IV. LORD LOTHIAN'S CONTRIBUTION

MEANWHILE the appointed day for the inauguration of provincial autonomy had arrived, and the constitutional changes evolved after years of negotiations went into force. There was widespread regret that the Congress was not assuming its due share of the new responsibilities that had devolved upon Indians. The fact that the party had indicated its willingness to assume office was generally regarded as a vindication of the reforms, implying that the measure of advance in the provinces was substantial enough to bring about a change of policy on the part of those who had long been non-co-operators. But the situation on April 1 was far from satisfactory. The Congress had ordered the observance of a *hartal*, and the circumstances in which the reforms were born contributed to its success.

The Governors in the meantime had invited other elected representatives to form Ministries, and although faced with early difficulties these were set up. The alternative Ministries were even more heartily condemned in the Congress press than the Governors' failure to give an assurance, and doubts were cast upon their legality. Thus the range of the controversy was widened, and the general political situation seemed to be deteriorating. It became clear that Congress was recovering its national prestige and was emerging from the eclipse in which it had been shrouded for the past six years. The press was full of criticism of what was called the "Whitehall mentality". The Viceroy maintained a discreet silence, although the British-owned

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press at places as far apart as Madras and Lucknow was urging negotiations with Mr. Gandhi.

The controversy was exceptionally bitter when Lord Lothian's first letter on the crisis appeared in *The Times*.\* The letter was given much prominence in the press, but it received singularly little editorial comment. It was accepted as a faithful interpretation of constitutional theory, but the Congress was in no mood to accept the purely legal aspects of the issue. Lord Lothian's reasoned review showing that safeguards had been no barrier to constitutional progress in other countries did not meet an answering response from Indians, although some were sobered in their views by so expert an opinion.

It was his second letter to *The Times* † that brought Lord Lothian prominently into the controversy. In this letter he showed that a Governor's use of his reserve powers must inevitably be affected by the popular support his Ministers had behind them. The Congress press seized upon this as implying that all differences arising between a Governor and his Ministers would be submitted to the electors for decision, a policy Lord Lothian never adumbrated.‡ Even Pandit Nehru was satisfied

\* April 6, 1937.

† April 13, 1937.

‡ The relevant passage of his letter actually read: "The discretion which the Governor has to exercise is whether his special responsibility will be better discharged by accepting or rejecting the advice of his Ministry, when attempts at agreement have failed. His decision, as all past history shows, largely depends on whether the majority in the Legislature is united and resolute and on whether it can count on the support of the electorate in the event of a dissolution. If it is, the Governor has usually decided not to provoke a constitutional crisis from which there is no solution save the suspension of the normal functioning of the constitution. That is why responsible government has always led to self-government.

"If, on the other hand, the Ministry is pursuing a policy which raises vehement opposition to the point of imperilling peace and tranquillity or the rights of minorities it is right that the first remedy in the hands of the Governor should be to refer the matter to the electorate. That is the true safeguard of democracy itself. Is not the most promising way out of the present difficulty to recognise that once responsible government is in being the ultimate 'arbitration' will almost inevitably be exercised by the electorate?"

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with this interpretation and asked why there was all the fuss about the safeguards if the electors were the ultimate tribunal. In the main the suggestion that the electors should be the final arbitrators was considered an acceptable solution, although various commentators pointed out that Lord Lothian had to convert the authorities in London to this view, as the Congress had all along supported it.

It now became clearer that the safeguards, although intended to be held in reserve, were nevertheless meant to be used if necessary, and that what Congress men wanted was an assurance that they would always be kept in abeyance, so far as the party's "constitutional activities" were concerned. Some prominent Congress lawyers maintained that this was possible without infringing the Act, suggesting that a Governor would be using his discretion in agreeing not to use his special powers. It is fairly certain that the Federal Court would not so interpret the Act, nor would Parliament, which is the ultimate interpreter.

Lord Lothian's contributions to the controversy were widely regarded as serious attempts on the part of one who thoroughly understood the problem to bring about a solution acceptable to both sides. It was also felt by Indians that there were friendly forces in England who were willing to consider the Congress point of view and prove accommodating so far as was constitutionally possible. No such interpretation was placed upon Lord Zetland's statement of April 8. There was considerable dissatisfaction with his handling of the problem, shared in some cases by sections of the British-owned press. The extremists claimed that the door which had been left open by the Governors and widened a little by Mr. Gandhi had finally been closed with a bang by the Secretary of State. There was regret that he should have used a communal illustration to indicate the implications of the reserve powers, and there was resentment that he had treated Mr. Gandhi's views with such scant consideration. The opinion developed

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that the failure to give an assurance was a policy dictated from London. It was recognised, even among officials in India, that the particular problem had not been solved by the discussion in the House of Lords. It was, however, borne in upon Congress men that Liberal and Labour spokesmen in London supported the view that the party should assume office and test its case constitutionally.

### V. THE FUTURE

THE crisis has had the effect of bringing Mr. Gandhi once more into the forefront of Indian politics, and there are many who believe that he is not anxious to see the organisation drift towards the extreme policy sponsored by Pandit Nehru. Others contend that he is in agreement with Pandit Nehru about the purpose, but parts company with him over methods. Mr. Gandhi's contributions to the controversy have been generally regarded by Indians as proof that Congress is anxious to assume office. There are ample signs that the party desires to give effect to its electoral promises, while not side-tracking its broader political purpose of securing a more liberal constitution. The problem clearly had its origins in something other than a mere constitutional issue. The correctness of the Government's legal attitude is accepted nearly everywhere outside the Congress ranks; there, the legalism of the case is interpreted as a mere buttressing of imperialism.

The key to the situation lies in that view. It is not primarily a legal issue at all, but a political one. The Governors' powers are an integral feature of the Act, requiring an amendment of the constitution before they can be eliminated. To Congress men the realities of power, even in the provinces, are enshrined in the safeguards. They genuinely believed that some arrangement could have been made with the Governors, and moderate elements honestly thought that they were not demanding an amendment of the Act. Only the extremists are satisfied

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with the outcome. Their policy of wrecking the constitution stands a fairer chance of success if the Congress does not take office; for extremists are unwilling to work within a constitution which they desire to see rejected. The Delhi resolution showed that for the party as a whole the decision to accept office did not mean an acceptance of the Act. The deepest hostility to the Act was modified only to the extent of recognising that some measure of good might accrue to the people from acceptance of provincial responsibility.

Obviously a great deal turns on the interpretation of the Congress phrase "constitutional activities". Congress leaders admit that the party's political object of securing *purna swaraj* (complete independence) cannot be achieved in the provincial sphere, even although strong efforts will be made to develop the party's general policy inside the Legislatures as well as outside them. Thus, if the broad issue of nationalism *versus* imperialism is removed from the provincial sphere, the issue resolves itself into an interpretation of the party's proposed "constitutional activities" in that sphere. If ambiguity on this point can be removed, it may be found that the Governors and the provincial Congress leaders are not very far apart regarding the Governor's relations with his Ministers over their social and economic legislative programmes.

Indian opinion generally holds that the Governors were too rigid in their interpretation of what Congress men wanted, and it is quite widely believed that if they had been left to their individual inclinations the situation might have been met in the provinces in a manner that would not have violated the constitution. Each side contends that the policy of the other in the negotiations was centrally inspired and was marked with a rigidity that made agreement impossible. But it is obvious from the statements issued by the Governors that they were virtually invited to place their reserve powers in abeyance, irrespective of the consequences that might flow from such action. If Congress

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leaders had explained the "constitutional activities" they contemplated in provincial administration the outcome might have been different. The leaders would in all probability have found that provincial powers are in reality vested in the Ministers, and the Act does not prescribe how these powers may be used. It leaves the field of provincial activity open to Congress Ministers, as to all others, however advanced their social and economic programmes may be. Admittedly the Congress policy is advanced, but in the vital field of agricultural reform the party disclaims any intentions of confiscation.

The Governor's responsibilities are designed to enable him to protect certain specific objects, but these responsibilities are as much the Ministers' as they are the Governor's. Indeed, the primary responsibility falls upon the Ministers. If the objects that the Governors have to safeguard are respected by the Ministers then the need for interference does not arise. There appears to have been no approach to the problem along these lines, and misunderstandings of the Act are not all confined to the Congress side.

No one claims that the Act is perfect, but it fulfils its function in that evolutionary programme of constitutional advance which has been an integral part of British policy for a generation. It must not be forgotten, however, that the Congress has been in opposition for nearly twenty years, and frequently in direct conflict with the authorities. The sudden acceptance of co-operative methods, particularly under an Act so universally condemned by the party, would be a *volte face* which any political group would hesitate to make. Moreover the strength of those Congress men who are opposed to accepting office places the party in a peculiar position. The Delhi meeting showed that the organisation has to face dissensions between the moderates and the extremists. Notwithstanding this, it was significant that Congress men were genuinely surprised to find they were unable to take office. Congress leaders have admitted the cordiality of their discussions with the Governors, and

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the Governors have patently demonstrated their willingness to collaborate with Congress Ministries. The Congress press does not believe the demand to have been so unreasonable as to make it worth while to sacrifice the constitution and present the country with the prospect of further political turmoil.

It was urged in some quarters that the Viceroy should send for Mr. Gandhi, but clearly the Viceroy could not give an assurance which the Governors could not give. The British Government obviously does not intend to amend the Act before it is tried. Moreover, in the five provinces in which the Act is being worked there is no indication that the Governors are likely to intervene to disturb the policy of Ministers. It is true that the minority Ministries in the other six provinces are not likely to survive the first meeting of their Legislatures, but even in these provinces social and economic programmes are being brought forward which the Congress will find it difficult to repudiate. The Congress press claims that the party will not revise its position later in the sense of withdrawing the demand for an assurance. Its hostility to the Act is such that it is convinced that only the suspension of the reserve powers can ensure responsible government. That claim is naturally refuted by constitutionalists. The belief held among Congress men that the bureaucracy has no sympathy with Indian nationalism, and must inevitably show hostility to Congress Ministers, is not correct. The feeling that the services will impede Congress aims is not substantiated by facts and can, in any event, be proved only by experience.

Nor can the views of minority elements in the country be entirely overlooked. There is a suspicion, especially among Moslems, that the Congress demand for an assurance was primarily intended to secure some political advantage. While leading Congress men are not communal in outlook, there are no signs that communalism is dying out; indeed in recent years an economic significance has been superimposed upon the religious aspects of communalism. But

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the situation is not without hope. So long as Congress men are discussing the issue in the hope of a settlement the chances of a solution cannot be ruled out. None but the extremists are anxious to have the door shut finally, and in their case the wish is father to the thought.

India, April 23, 1937.

## GREAT BRITAIN

### I. THE BUDGET

FOR months it had been taken for granted in political circles that as soon as Mr. Baldwin felt that the moment for his retirement had come he would be succeeded as Prime Minister by Mr. Neville Chamberlain. It seemed, therefore, all the more reasonable to expect from a Chancellor renowned for his orthodox financial policy still another safe budget. Everyone recognised that some addition to taxation was necessary and right in order to meet the cost of rearmament, despite the decision to pay for a large portion out of loan moneys. But it was generally thought that all that was required was an increase of 3d—perhaps, at the worst, 6d—in the standard rate of income tax, possibly combined with adjustments of indirect taxation. Mr. Chamberlain completely confounded the prophets in a budget which has aroused more controversy than any financial measure since 1931.

The year 1936-37 ended with a deficit of roughly £3,600,000. For 1937-38, the Chancellor estimated an increase of £35,853,000 in expenditure, including £22,500,000 of Road Fund outgo (see below) but not counting the £80,000,000 for the defence services which, it had already been announced, would be raised by loan. Since the army, navy and air votes to be met out of revenue show a net advance of £12,196,000 on actual payments in 1936-37, the total increase of expenditure on defence will approach £100,000,000 this year by comparison with last. On the other side of the account, Mr. Chamberlain budgeted for an increase of £63,781,000 in tax revenue; this was reduced to a little over £50 million

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by a big expected decline in "miscellaneous receipts"—that mysterious item in the accounts which not even the most sagacious of experts outside the Treasury is able to compute. But the increase included an extra £18,700,000 from the Road Fund, which was previously regarded as a separate, self-balancing account. Both its expenditure and its receipts having now been taken into the general accounts, the motor-vehicle duties take their place as an ordinary item of taxation unallocated to specific expenditure. A further accounting adjustment has been the transfer of broadcasting revenue and expenditure from the main accounts to the self-balancing account of the post office. This rationalisation complicates a comparison between last year and this, but the net result is simple enough, namely, an expected deficit, on the pre-budget basis of expenditure and taxation, of almost exactly £15,000,000, over and above the £80,000,000 defence loan.

This was even smaller than had been expected, and the Chancellor's audience felt confident that they were going to get off lightly. He first made one or two minor adjustments—the closing of still another loophole of legal evasion of income tax and surtax, minor changes in customs to implement the Anglo-Canadian trade agreement, and the abolition of the male servants' licence duties. None of these changes made any serious difference to the main issue. Then Mr. Chamberlain played the card that everyone expected. The standard rate of income tax would be raised from 4s. 9d to 5s. in the £, without any changes in allowances. This would produce £13 million in the current year and £15 million in a full year.

The budget deficiency being now reduced to £1 $\frac{1}{2}$  million, members expected little more than a peroration to follow. To their amazement, Mr. Chamberlain proceeded upon an ominous discourse regarding defence expenditure. He reminded the House that the Defence Loans Act which they had passed earlier in the session

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authorised the Government to borrow up to a maximum of £400,000,000, spread over a period not exceeding five years. But the defence White Paper of February had clearly explained that, although no one could yet foresee which year would see the peak, the level of defence expenditure would rise very rapidly in the next two or three years. It would be natural to expect that the curve of borrowing should to a certain extent follow a curve of expenditure. Therefore the Chancellor had been surprised at the lack of comment upon the fact that he proposed to borrow in the first year the full amount of the average permitted. No one had seen in that fact the clue to the policy he was about to propose. We had got to prepare ourselves for expenditure of a very exceptional character which would rapidly increase, and then, later, fall until it reached a new plateau. It seemed to him that if each year the Chancellor of the Exchequer had to impose a succession of new taxes, that would be likely to cause the maximum uncertainty and disturbance; he sought, therefore, a means of providing at least a major part of the necessary expenditure "by some device capable of growth in itself, but easily adjustable, so as to allow for variations in the yield of revenue from existing taxation".

He had already increased the income tax, and, since retail prices were already rising, he did not want to depress the standard of living of wage-earners and others by indirect taxation. In the circumstances, it did not seem to him unreasonable to ask that the present rapid growth of business profits should be made the occasion of some special and temporary contribution towards the cost of national defence. He proposed to impose a tax—which he would call the national defence contribution—on the growth of profits recorded by all businesses of any kind whose profits in any accounting year ending after April 5, 1937, should exceed £2,000. The tax would not be applicable to professions or employments. In order to measure the growth of profits he proposed that there

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should be two alternative standards, at the choice of the taxpayer: either the actual profits for certain specified years, or a percentage of the capital employed in the business. The profits standard would be the average profit for the years 1933, 1934, 1935. The charge would therefore be on the increase of profits over the average of those three years. For the other standard, capital would be calculated on a cost basis, and the basic rate of profit would be 6 per cent. for companies and 8 per cent. for individuals or firms; the contribution would be chargeable on profits in excess of those rates.

Whichever standard was adopted, the degree of the charge would be related, not only to the growth of profits, but also to the absolute prosperity of the business. This meant that both the capital of each business and the yield on it would have to be calculated in any case. Such yields would be classified into four "regions": up to 6 per cent., between 6 per cent. and 10 per cent., between 10 per cent. and 15 per cent., and over 15 per cent. In the first of these regions the rate of charge for the contribution would be nil, on the second it would be one-fifth of the growth of profits, on the third one-quarter, and on the highest group one-third of the growth.

The Chancellor went on to append certain details of the plan that he proposed. For instance, in order to meet the case of struggling concerns that had had a series of losses in the past and were only just beginning to make profits, losses during the past four years might be carried forward and set off against the profit chargeable. There would be a tapering-off of the rate of charge on profits between £12,000 and £2,000. The contribution would become due in each case with the first accounting period ending after April 5, 1937—the corollary to which was that when the scheme was eventually wound up an adjustment would have to be made in order that every firm should have paid contribution for the same period of time. Since most firms made up their accounts to December 31,

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and there would inevitably be a time-lag before they paid their contribution, he could not put the yield for the current year higher than £2,000,000; but next year it should produce £20,000,000 to £25,000,000. The Chancellor continued :

I impress upon the Committee that I regard it as a temporary tax, and as the process of rearmament cannot proceed for an indefinite time it is perfectly clear that the purpose for which the tax is being imposed will come to an end at some time, and I should imagine that the tax would then come to an end. I should like to add that I believe that I have in this new impost created a flexible instrument which should be easily adjustable to changing conditions with the least amount of disturbance of confidence and stability.

His final budget estimates were : revenue, £863,100,000; expenditure, £862,848,000, leaving a prospective surplus of £252,000.

The Chancellor's hope that his new tax would cause the least amount of disturbance of confidence and stability was very soon dashed. The national defence contribution scheme was greeted with resigned approval in principle by the Conservative press and by a number of eminent business leaders and supporters of the Government in Parliament. Criticism in the City, however, was almost wholly and comprehensively adverse. The scheme was denounced as vague, inequitable between one firm and another, a tax on enterprise, a blow to recovery, an encouragement to take capital out of the country, and many worse things. There were doubtless exceptional reasons for the vehemence of the City's reaction. After a long period of rising stock prices, those whose business it is to take market risks had suffered a period of minor reverses. Technical difficulties of adjustment had been overcome, but the market was in a weak position to face a further slump in prices, and the immediate depression caused by the Chancellor's announcement had a snowball effect. Liquidation in one section of the market necessitated liquidation in another, and the uncertainty as to the

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precise manner in which the new tax would affect any individual company stood in the way of the normal checks to a downward market movement, namely, the purchase of securities at attractively low prices by financially strong professional operators and by outside investors. For some days it was practically a one-way market. The fact that Mr. Chamberlain's new tax was largely a signal for, and only partly the actual cause of, the collapse of prices was proved by such developments as the spreading of the depression to commodity markets—which could be only trivially affected in any direct way—and to the shares of gold mining companies, which would not have to meet the tax since practically all of them were registered outside the United Kingdom.

Nevertheless, the doubts and anxieties felt in business circles had undoubtedly a substantial basis. It was pointed out, for instance, that the tax as explained by Mr. Chamberlain would hit with cruel severity companies like the great Rhodesian copper-mining concerns which, after years of development during which their capital brought no return, had only recently entered into full production; and that it would also strike heavily at such industries as shipping, which were peculiarly subject to cyclical fluctuations and had suffered most during the slump. Many such criticisms were voiced in the House of Commons debate on the budget, and Mr. Chamberlain was compelled to temporise. He refused, however, to go back on the principle of the tax, which he described in a speech to the Bankers Association on April 29 in the following terms :

that when we are faced with the necessity of expenditure of a very special and exceptional character, compressed into a space of a few years, it is reasonable and fair that we should ask for a special contribution from trading concerns who are making much larger profits than they did some time ago in the more favourable circumstances that now exist.

But he promised that before the Finance Bill was introduced he would make enquiries to discover what were the

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possible dangers of injustice and inequality contained in his proposal, and would meet them as far as he could. He did not bar revision of the two alternative standards for the computation of the growth of profits. He asked that no hostile conclusion should be come to until there had been more opportunity for seeing the proposals in their detailed form—a difficult request for the City to comply with, since uncertainty was among the most important of its charges against the whole plan.

Mr. Chamberlain confessed in debate that the disadvantage of a budget proposal of that character was that, owing to the necessity of preserving secrecy up to the last moment, he could not take those preliminary soundings and have those preliminary consultations that he would upon ordinary proposals. He had to form the best view he could on the basis of past experience, to describe in outline form the project in his mind, and to address himself to particulars thereafter. It was widely suggested that the budget secrets scandal of last year was largely accountable for the defects that were seen in the Chancellor's plan, since he had been unusually scrupulous in avoiding any hint of the tax to those who might have given him practical advice. This, however, can hardly be accepted as a full explanation; for the Treasury and Inland Revenue authorities must have been able to provide the Chancellor with almost exact details of the incidence of the tax on any particular industry or firm. It must be concluded either that the Chancellor did not ask his advisers the relevant questions, or that he was satisfied with the answers he received. As *THE ROUND TABLE* goes to press, the Finance Bill has not been published, and therefore the final details of the tax are not known. The episode certainly struck a blow at Mr. Chamberlain's popularity in his own party, and there were rumours that Mr. Baldwin's retirement might consequently be postponed. But it has probably enhanced his standing in the country, in spite of the wide repercussions of any

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injury to industrial profits in these days of unit trusts and small investors. For it has shown in him a boldness in unorthodoxy with which he was not credited, and a willingness to depart from merely party or class motives of policy which is a proper—indeed an essential—trait in the head of a National Government.

### II. THE FORTUNES OF THE LEFT

FROM a purely party point of view, the Labour Opposition might almost have welcomed a fiscal measure which gave them cause for thunder instead of stealing it from them. Recent by-elections have shown a slight trend towards greater Opposition popularity, though such a development is normally to be expected at this period of a parliament's life. In six by-elections, at St. Pancras, Richmond, Tonbridge, Farnham, West Birmingham, Stalybridge and York, the Conservatives retained seats they had previously held, but in every case the majorities were reduced, and in St. Pancras and Stalybridge the Labour candidates came within a few hundred votes of winning. West Birmingham was the seat held for many years by Sir Austen Chamberlain, whose death in March brought eloquent tributes from all sides of politics to the integrity and generosity of his character. In 1935 Sir Austen had had a majority of 7,371, while his successor received a majority of only 2,920; but in 1929 Labour had come within 43 votes of winning the seat, and in the recent by-election its improved position was due less to new votes for itself than to a failure of Conservative supporters to go to the polls. This suggests that Labour has still some way to go before regaining its 1929 electoral position, which nevertheless left it without a clear majority in Parliament. In the Gorton by-election in Manchester, the former Labour majority was slightly increased on a much reduced poll. One seat Labour has won from the Government, Central Wandsworth, where Major Nathan,

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a former Liberal who joined the Labour party in 1934, turned a Conservative majority of 4,323 into a Labour majority of 483. This seat was among those gained by Labour in 1929 and subsequently lost. Labour's chief recent success has been in the local government field; at the March elections to the London County Council it gained a net total of six seats from its opponents, and it now commands a majority of 75 to 49.

By far the most interesting by-elections to the general observer were two for university seats. Upon his appointment as Provost of Eton, Lord Hugh Cecil resigned his burgess-ship for Oxford university, which he had held for a generation. Three professors contested the seat: Sir Arthur Salter, who stood as an Independent; Sir Farquhar Buzzard, the centrally-approved Conservative candidate, chosen by the party caucus in the university; and Professor Lindemann, whose name was rejected by the party caucus but who had the support of a large number of Right-wing Conservatives. It was thought that the splitting of the Conservative vote might secure the election of Sir Arthur Salter, but in fact he was returned with a small absolute majority over the votes of both the other candidates combined. Sir Arthur, whose candidature was endorsed by members of all three parties, stood on the platform of the "Next Five Years Group", a progressive organisation in which the leading parliamentary lights have hitherto been a few Left-wing Conservatives and members of the Liberal party. The result, he said, indicated clearly that the Oxford university electors considered that the university vote should not be treated as a mere party one, and that there was a widespread desire among the people of England for a moderate policy which could achieve national unity rather than the triumph of any party. Oxford university, after many years of returning only Conservative candidates, is now represented by two Independent members, the other being Mr. A. P. Herbert. The combined English universities (which exclude Oxford,

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Cambridge and London) also took the occasion of a by-election to exchange a Conservative representation for an Independent one, the successful candidate being Mr. T. E. Harvey, who described himself as an Independent Progressive. He, too, has referred to "a widespread conviction that representatives of the universities elected on an additional franchise basis ought not to be chosen on the ordinary party grounds". The combined universities also are now represented by two Independents, Mr. Harvey and Miss Eleanor Rathbone.

While there has been this evidence of a desire in certain quarters for political consolidation around a programme considerably to the Left of that of the Government itself, the idea of a "popular front" consolidating what are now the Opposition parties has received several setbacks. The official Liberal party organisation has once more rejected proposals for an alliance with Labour, a plan that has equally little appeal in the other camp. Further to the Left, the movement for a "united front" between the Labour party, the I.L.P., and the Communists has also been decisively rejected by Labour. Sir Stafford Cripps's organisation, the Socialist League, which joined the united front, was expelled from the Labour party, and individual membership of the League was later ruled to be incompatible with membership of the party. Faced with this choice of allegiance, many members of the Socialist League renounced the smaller for the larger organisation, and at Whitsun the League dissolved itself. Labour supporters have been warned not to take part in united front activities, which are "in clear defiance of the repeated and emphatic decisions of the annual conferences of the party".

The Labour party seems, indeed, to be passing through a phase of moderation. Taking the advice of some of its own most far-sighted supporters, it has prepared, and will discuss at its next annual conference in October, a five-year programme of measures of "socialism and social

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amelioration" which it would undertake to carry out if returned to full power. The programme repeats that the party's goal is the socialist commonwealth, but it seeks to appease timid electors by stating in concrete terms what steps towards that distant goal it would hope to take during the life-time of a Parliament. The Bank of England would be made a public institution. New investment would be controlled through a national investment board. There would be no return to the gold standard. The programme, however, contains no proposals for nationalisation or regimentation of the joint-stock or private banks. A national transport board would be set up "to co-ordinate transport by road, rail, air, and coastwise shipping, and to own and operate the railways and such other transport services as are suitable for transfer to public ownership". The coal industry would also be unified under public ownership, together with the electricity and gas supply industries. As regards agriculture, the programme promises a fair price to the producer and a plentiful supply of food to the consumer, together with a living wage for the worker on the land; these admirable objectives are to be achieved by eliminating unnecessary middlemen and by a full use of co-operative undertakings and marketing boards. In industry, a Labour Government would seek to improve wage standards and would "make any assistance to private enterprise conditional on the observance of trade union wages and conditions". This seems to imply widespread subsidies. Legislation would be introduced for shorter working hours, taking the 40-hour week as the standard. Vigorous though unspecified measures would be adopted to increase employment. The school age would be raised to 15, and later to 16. Health services would be extended. For those who remained unemployed, proper maintenance would be provided and the means test abolished. Steps would be taken to bring new industries into the special areas and in other ways to remedy the terrible conditions prevailing

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there. A Labour Government would "take the lead in seeking to strengthen and reinvigorate the League of Nations as an instrument of international co-operation and collective security". It would "unhesitatingly maintain such armed forces as are necessary to defend our country as a member of the British Commonwealth and of the League of Nations". The all-party support for rearmament continues to be, indeed, one of the most remarkable features of British politics to-day.

### III. STRIKES

RISING internal prosperity, partly induced by rearmament expenditure, has brought about a wave of strikes. In part of the Nottinghamshire coal industry there has been a long-drawn-out and bitter dispute, of the same kind as faced South Wales a few months ago, over the question which union should represent the men. The non-political unions led by Mr. George Spencer gained their greatest hold during the depression in the Midland coalfields, and the Miners Federation is making a determined attempt to recover its former unchallenged position. In Glasgow a serious dispute arose over the conditions of employment of apprentices in the engineering and shipbuilding trades. The apprentices began a strike on their own, and were supported—even to the point of a one-day demonstration strike—by branches of the union concerned. The strike ended with the recognition in principle of the strikers' demands. In the same city a strike of 1,500 engineers employed at Messrs. Beardmore's Parkhead forge has already lasted for six weeks. It arose out of a demand for higher wages, but developed into a struggle over the question whether terms should be made directly with the firm or with the employers' federation.

The strikes that have come home most closely to the general public have been those in the passenger transport industries. A series of district strikes for better

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conditions on the country bus services was followed, on May 1, by a complete stoppage of all London's buses. The men demanded the institution of a  $7\frac{1}{2}$ -hour day, in place of the 8-hour day previously ruling. The London Passenger Transport Board replied that the average time spent daily in actual driving or conducting of buses was only 6 hours and 4 minutes, and only a little over 7 hours including allowances for signing on and off, and for standing and other incidental duties. They alleged that the demand for a working day of half-an-hour less would cost roughly £650,000 a year, even if applied to the central busmen alone; if applied to all members of the Board's staff, the total extra cost would be £1,500,000 a year. They claimed that, during the three years in which the Board had been in control of London's transport, concessions had been made to the workers on all sections—railways, trams and buses—involving the expenditure of £1,150,000 per annum. On the other hand, Mr. Ernest Bevin, the general secretary of the Transport and General Workers Union, who is perhaps the most outstanding trade union leader in the country, alleged that the cost of shorter hours had been greatly over-estimated, and that the speeding-up which had already been applied had caused the men gravely increased strain and sickness.

Answering the critics among the general public who viewed a strike at such a moment as an attempt to make capital out of the coronation, he said that the negotiations for a shorter working day had been proceeding for two years. It so happened that they came to a head in March, and the men had simply given the statutory month's notice of termination of their agreement as soon as they learnt that the Board's decision to exclude the question of hours from the discussions was final. Direct contacts having broken down, the Government appointed a board of enquiry, which reported on May 6. Its three members held that certain of the schedules of work operated somewhat onerously upon the men, but the parties were in any

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case agreed that all points of difference except the claim for a  $7\frac{1}{2}$ -hour day could be settled by negotiation. Concerning that claim, which was based fundamentally on grounds of injury to health, the evidence placed before the enquiry board had been inconclusive. Nevertheless, they were of opinion that a *prima facie* case had been made out for further investigation forthwith by a properly qualified and specially constituted body. Although there were hints that the central trade union leaders were willing to accept a temporary settlement on these lines, the branches voted to hold out for the immediate concession of a shorter working day, and the bus strike continued over coronation week. This may have been a blessing in disguise, as far as central London was concerned, since even with no buses running many streets were virtually impassable, owing to the press of visitors on foot and in cars or taxis.

The prevalence of strikes gave Mr. Baldwin the opportunity for a memorable speech which both he and his audience realised was probably the last he would make in the House of Commons. Knowing, he said, that his time was short there now, he felt he would like once more to say something about the things he had tried to stand for. We ought all to bear in mind—and this had a relevance to all industrial disputes—that democracy was probably the most difficult form of government that had ever been devised, and he doubted whether it had ever been achieved in its fullness in any country in the world. An autocracy was a very easy form of government, because under it we all had to do what we were told, which meant that we were saved the trouble of thinking. Under a democracy, every individual in some degree or another had to do his own thinking, and on whether he thought rightly or wrongly the whole success or failure of that democracy would rest. In our modern civilisation, just as war had been changed from being a struggle between professional armies, with the civilians comparatively uninterested in it, so the weapons of industrial warfare had changed from

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weapons that affected comparatively small localised bodies of men to weapons that affected directly men who had no concern whatever with the issues, except perhaps a natural sympathy with their own class. Did not that show, just as the danger of the modern world showed internationally, that the one thing we must pray for, not only in our statesmen, but also in our leaders of trade unions and in the masters, was wisdom?

He was going to make a last appeal in the House, and it was an appeal to that little handful of men who could decide whether it was going to be peace or strife. There was to-day, said Mr. Baldwin, a feeling in totalitarian countries of contempt for democracy, as a decadent system under which there was no order, industrial trouble was endemic, and the people could never keep to a fixed purpose. There was also in the world a far different feeling, a feeling of admiration for the way in which Great Britain had come through the economic blizzard and was progressing with so little industrial strife. That indeed was the greatest testimony that democracy was rightly functioning: that her children could see her through difficulties, some of which were very real, and could settle them—a far harder thing than to fight. Mr. Baldwin concluded:

In the Abbey on this day week our young King and Queen, who were called suddenly and unexpectedly to the most tremendous position on earth, will kneel and dedicate themselves in the service of their people, a service which can only be ended by death. I appeal to that handful of men with whom rests peace or war to give the best present to the country that could be given at that moment, to do the one thing which would rejoice the hearts of all the people who love this country; that is, to rend and dissipate this dark cloud which has gathered over us, and show the people of the world that this democracy can still at least practise the arts of peace in a world of strife.

The Prime Minister could scarcely have written himself a finer parliamentary epitaph.

# CANADA

## I. THE BUDGET

THE second session of the eighteenth Federal Parliament of Canada, which ended on April 10, was not only the shortest in recent years, but also the tamest in the memory of veteran observers. Its shortness was due to the Government's desire to bring it to an end by the middle of April in order that the delegations representing the Cabinet and both Houses of Parliament at the Coronation might be able to sail with care-free minds before the end of that month. For this reason it kept its legislative programme within very modest dimensions and free from measures likely to breed prolonged controversy. As a consequence the proceedings of Parliament were marked by an unwonted harmony, which, if conducive to the rapid despatch of business, made them exceedingly dull.

For so brief a session the output of legislation was not inconsiderable. It included Bills establishing the projected trans-Canada air service, preventing the enlistment of Canadian citizens in foreign armies, controlling the traffic in munitions and materials of war (including food-stuffs), providing pensions for the blind on reaching the age of 40, cancelling the effects of the "gold clause" in Canadian bond contracts and agreements, remodelling the capital structure of the Canadian National Railway system, and strengthening the Combines Investigation Act and transferring its administration from the Trade and Industry Commission, whose personnel is identical with that of the Tariff Board, to the Department of Labour. The Government, however, secured passage of the last two measures only after it had consented to amendments insisted upon

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by the Conservative majority in the Senate. A demand that the annual accounts of the Canadian National Railway system should always carry a statement of the amount of public money invested in it was met by an agreement to append to the balance sheet every year a footnote reading:

The proprietors' equity is disclosed in the net debt of Canada and in the historical record of government assistance to railways as shown in the public accounts of Canada.

As regards the amended Combines Investigation Act, Ministers had to concede certain restraints upon the inquisitorial powers they were seeking for the Commissioner, who will administer the statute.

By these concessions they saved these two measures from the fate of their Transportation Bill, which aimed at reorganising the regulatory machinery for transportation in Canada. Introduced in the Senate, it had the approval of the railways with reservations, but it was unpalatable to certain provincial Governments and various commercial interests. Senator Meighen, the Conservative leader in the Upper House, after reiterating his view that the Senate as a nominated body had no right to challenge the will of the elected House upon measures for which an electoral mandate had been given, declared that, although the objects of the Bill were admirable, the methods proposed were unsound and the passage of the measure was not in the national interest. In following his advice and rejecting the Bill the Conservative Senators were backed by two Liberals, and under the circumstances the Government did not feel justified in challenging the verdict.

The longest debate of the session was provided by the budget, which was submitted in February and included the tariff changes involved in the revised Anglo-Canadian trade agreement. Mr. Dunning, the Minister of Finance, had a much more cheerful tale to tell than a year ago. Estimating aggregate revenue for 1936-37 at \$452,123,000, and aggregate expenditure at \$539,518,000, he was able to show that the forecast of a deficit of \$100 million made in

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his previous budget speech had been too pessimistic by \$12½ million. He was unable, however, to promise any relief for the taxpayers, and the only changes in taxation consisted in some adjustments in the lists of exemptions from sales tax. But he held out roseate hopes for a progressive improvement of the national finances. Forecasting for the fiscal year 1937-38 a revenue yield of \$485 million and an aggregate expenditure of \$520 million, he predicted the reduction of the deficit to \$35 million, and, if the process of economic recovery was not checked, its complete elimination in the following year.

In a comprehensive survey of the Dominion's economic situation, Mr. Dunning explained the underlying motives of the Government's fiscal and monetary policies. He warned the House that a growing tendency to hectic speculation should be curbed, and that it might be necessary in the national interest to call a halt to the policy of "easy money", which under the combined encouragement of the Government and the Bank of Canada had made a great contribution, he said, to the restoration of reasonable prosperity. The Opposition's chief criticism of the budget was that the maintenance of the sales tax at the high level of 8 per cent. imposed a strain upon Canadian business which it could not bear indefinitely.

## II. THE ANGLO-CANADIAN TRADE PACT

THE tariff changes of the new Anglo-Canadian trade agreement covered a wide range of commodities, but the reduction of duties involved was, generally speaking, much smaller than had been expected, most of the cuts being only of the order of 5 or 2½ per cent. Ministers were thus able to claim that they had been very successful bargainers, having secured the retention of Canada's valuable preferential privileges in the British market without any excessive sacrifice of Canadian manufacturing interests. They were also able to show that from a Liberal standpoint

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the new treaty was a great improvement upon the pact of 1932, inasmuch as it sought to deepen the channels of trade by a net lowering of tariffs, and that by reducing the number of preferences which Canada was pledged to maintain at no less than their present level they had acquired freer scope for bargaining about trade with foreign countries, especially the United States. They had to face, however, some sharp criticisms from their western supporters, who were disappointed with the meagreness of the tariff cuts and thought that the textile and other manufacturers had been left with too much protection.

In his observations upon the treaty Mr. Bennett gave his party a very temperate lead which they obediently followed. Arguing that in its fundamental features the new treaty was simply a replica of the old, with the verbiage of its more important clauses skilfully altered by versatile draftsmen but their purport left unchanged, he pressed home charges of inconsistency and hypocrisy against the Government. In support of them he was able to quote chapter and verse from the speeches of Mr. Mackenzie King and his colleagues, in which they had condemned as unsound or dangerous provisions of the 1932 agreement that now received their approval. On details he directed his chief criticism against the alleged hardships inflicted upon the textile industries of Canada by the lowered duties on their products, against the defects in the arrangement whereby the Canadian Government will check the dumping of Canadian goods in Great Britain, and against the failure to take measures to frustrate certain trade cartels which seem to regard the Canadian preferences as a subsidy to themselves, allowing the consumers to derive little benefit. He found Mr. Dunning in complete agreement upon the need for checking activities that serve only to bring the whole preferential system into disfavour in Canada.

Mr. Bennett and Mr. Dunning, moreover, concurred in the view that owing to the sharper rise in the British price level than in the Canadian the competitive position of

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British exporters in the Canadian market will not be immediately improved by the treaty. The Conservatives voted for the treaty along with the other parties. Their amendment to the budget deplored the inadequacy of the Government's unemployment policy, though supported by the two Left groups, was defeated by 145 votes to 47.

### III. CONSTITUTIONAL REFORM

**A**NOTHER issue that came into high relief during the session was the reform of the constitution. Its urgency was forced upon Parliament by a series of decisions of the Judicial Committee of the Privy Council, which, confirming in the main earlier judgments of the Supreme Court of Canada, pronounced invalid a group of social and industrial reform measures passed by the late Conservative Ministry. One result of these decisions is to make virtually impossible a national scheme of unemployment insurance, to which all parties are pledged. It appeared that without amendments of the constitution the pace of industrial and social reform must be slowed down to the rate acceptable to the most reactionary of the provinces. Successive debates on the constitutional problem, which were conducted on an admirable level, disclosed a consensus of opinion among all parties that the task of reform brooked no further delay. One of them produced a very bitter attack by Mr. Cahan, a former Conservative Secretary of State, upon the Judicial Committee of the Privy Council, which he charged with grave responsibility for Canada's constitutional difficulties and confusions.

In spite of agreement on objectives, there were sharp divergences of opinion about the best methods of procedure towards reform. Mr. Bennett and some Liberals took the view that the Federal Parliament had the power to secure constitutional reforms by its own initiative, and pleaded for the immediate summoning of a constitutional conference to work out the necessary amendments. Mr.

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Lapointe and other Ministers, however, holding that the endorsement of the provinces was necessary for any constitutional changes, were doubtful of securing the acquiescence of certain provinces in a constitutional conference. They felt that as a preliminary step there should be further Dominion-provincial conferences on the subject. The Government has nevertheless decided that it must make some move, and has committed itself to the appointment of a Royal Commission which will investigate the financial and tax structure of Canada and recommend such re-allocation of sources of revenue and administrative responsibilities as it may find desirable. The report of this Commission should provide a basis for plans of constitutional reform.

### IV. THE SESSION IN RETROSPECT

DURING the session no new parliamentary reputations were made. Mr. Mackenzie King was content to reserve his interventions in debate to a few important issues like the question of constitutional reform and the defence programme. The main burden of upholding the Ministerial case on the budget, the Anglo-Canadian agreement, and all matters relating to financial and economic policy was left to Mr. Dunning, who showed his usual skill and versatility in presenting it and answering criticisms. But as the session progressed the attitude of the Minister of Finance on tariff matters and other questions fanned suspicions, which for some time past have been lurking in the minds of the more radical element in the Liberal party, that the formerly progressive-minded paladin of the Western grain-growers had been contaminated by his associations between 1930 and 1935, when he was out of Parliament and was engaged in business in Montreal; that he had exchanged his old reforming fervour for a thoroughly conservative viewpoint, which was primarily concerned with the fortunes of the industrial and commercial interests of eastern Canada.

## THE SESSION IN RETROSPECT

In the closing days of the session this feeling of disquiet about Mr. Dunning was expressed in an open revolt of a group of low-tariff Liberals against upward changes in the tariff designed to benefit the Canadian manufacturers of furniture and hats. Mr. Dunning was supported by the bulk of the party, and the tariff changes were endorsed, but the discussion revealed a sharp cleavage of opinion within the Liberal party on the tariff issue, and left the impression that, in the event of the retirement of Mr. Mackenzie King, Mr. Dunning would not, as seemed probable a year ago, have an undisputed claim to succession to the Liberal leadership. Of the younger Ministers, Mr. Ian Mackenzie handled the delicate problem of the defence estimates with a combination of firmness and tact, and Mr. Ilsley, the Minister of National Revenue, added to his parliamentary prestige.

The Conservatives, in Opposition, signally lacked the wealth of debating talent necessary to make good their numerical weakness. Yet their leader, Mr. R. B. Bennett, remained the outstanding personality in the Commons, and by reason of his facility of speech, his prodigious memory and his wide experience of politics, finance and business, he constituted by himself an effective and useful Opposition.

Throughout the session, without for a moment failing to mete out vigilant criticism of the Government's Bills and estimates, he was never factious, and by his constructive suggestions made a valuable contribution to the results of the session. On such problems as defence policy and constitutional reform, he took the broad view that national interests must come before party considerations, and for his co-operation in the speedy despatch of business he received the cordial thanks of the Premier. He emerged from the session with his prestige as a parliamentarian and statesman higher than ever before, and as a result there is widespread regret, even among his political opponents, at intimations of his impending retirement from active politics. It is apparently his intention, after he

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returns from Europe in June, to summon a meeting of the Conservative members of the Commons and Senate and submit his resignation as leader, but the impression prevails that the Conservative party, when it comes to examine the merits and qualifications of possible successors, will decide that none of them is adequate for the task, and will bring pressure to bear upon him to remain at his post for a few years.

In his 67th year, Mr. Bennett is still in the prime of his powers, and his retention of the Conservative leadership would be peculiarly desirable in view of the effective contribution he could make to the solution of the problem of constitutional reform. If, however, he were to insist upon retiring, the claims of Senator Meighen, Dr. Manion and Mr. W. D. Herridge would probably receive chief consideration. But Senator Meighen is incarcerated in the Senate, Dr. Manion as a Catholic would not command favour with the extreme Protestant elements of the party, and Mr. Herridge, who has been keeping himself in the public eye by a series of public speeches, would be unacceptable to the financial and industrial magnates in the Conservative party. He has consistently proclaimed his conviction that there can be no permanent prosperity for Canada under the present economic system, and has advocated a system of national "planning".

Of the two Left groups in the Commons, the Social Creditors, 18 strong, could make no serious contributions to normal debates, and bored the House by their intermittent and vague expositions of the wonders that the adoption of Social Credit would work for Canada. The tiny C.C.F. group, on the other hand, although only seven in number, were effective critics of the Government on unemployment policy and other matters, and in Mr. Woodsworth and Mr. Coldwell they had two of the best parliamentarians in the House.

Canada,  
April 1937.  
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# AUSTRALIA

## I. THE REFERENDUM

ON March 6 the Australian people voted by referendum on the proposed amendment of the Commonwealth constitution to increase the powers of the Federal Parliament in respect of marketing and aviation. Both referendums were defeated.\*

The circumstances that led to the proposals to alter the constitution have been set forth in previous numbers of *THE ROUND TABLE* † and need not be repeated here. The marketing amendment almost monopolised public attention, and the fate of the aviation proposal was probably determined by its unequal yoking with its unhappily chosen team-mate.

The following figures show the result of the voting:—

	<i>Aviation</i>		<i>Marketing</i>
Yes .	1,924,946	Yes .	1,259,808
No .	1,669,062	No .	2,214,388
Informal .	150,355	Informal .	270,167
Majority for	255,884	Majority against	954,580

The marketing amendment was rejected in every state, and in all but Victoria the negative vote was overwhelming. In every state there were more affirmative votes for the aviation amendment than there were for the marketing amendment, but only in Victoria and Queensland were

\* Section 128 of the Commonwealth constitution provides that proposals to amend the constitution must be passed by the Federal Parliament and then submitted to the electors by referendum. They become law if they are approved (a) by a majority of the votes cast, and (b) by a majority of voters in a majority of states.

† See No. 105, December 1936, pp. 194-206 (marketing); and No. 106, March 1937, pp. 428-429 (aviation).

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these majorities in favour of the aviation proposal, which was consequently defeated.

In Queensland, where the electors were strikingly discriminating in their attitude towards the two proposals, the count furnishes a striking proof of hostility to the marketing proposals by electors who were prepared to grant the Commonwealth full control of aviation. Every one of the ten Queensland electorates gave aviation a comfortable affirmative majority. Nine rejected marketing emphatically, and in the tenth—Wide Bay—the voting was close. The figures for Brisbane were the most decisive. There, aviation obtained a "yes" majority of 10,194, marketing a "no" majority of nearly 22,000. But the rural electorate of Darling Downs told the same story with only slighter emphasis, giving an affirmative majority of over 6,000 for aviation, and a negative majority of almost the same size for marketing. Again the informal vote, which was unusually heavy everywhere, was much larger on the marketing issue.

In the three more populous states—New South Wales, Victoria, and Queensland—the result represented a silent revolt from the guidance of most political leaders and newspapers. The Premiers of the three states, most members of the Opposition (except in New South Wales) and nearly all the daily papers supported both proposals. But the New South Wales section of the Labour party, led by Mr. Lang in the state and Mr. Beazley in the Federal Parliament, advocated a double negative vote. It supported this policy by appeals to prejudice and by threats of disastrous consequences, rather than by any reasoned argument on the undoubtedly difficult issues involved. The simplicity and emphasis of its condemnation of the proposals was no doubt an important factor in their rejection in New South Wales. The Premiers of the three less populous states—South Australia, Western Australia, Tasmania—were energetic opponents of the marketing amendment and had the support of most of their states' newspapers.

## THE REFERENDUM

and many opposition members. Federal leadership was almost entirely in favour of an affirmative vote. The proposals had passed through Parliament with the complete concurrence of the two parties supporting the Government, and the virtual support of the Opposition (Labour), which dissented formally, on the ground that the proposed marketing amendment did not go far enough. A superficial observer might therefore have predicted a majority for both amendments in the Commonwealth as a whole.

The result, none the less, is easily explained.

First, the people of Australia are conservative unless the sharp pressure of material need or outraged sentiment makes them momentarily radical. The fate of previous proposed amendments to the constitution reinforces this deduction from the common behaviour of man as a political animal. Out of twenty proposed amendments to the constitution, only three have been carried. Two of these were non-contentious. The third—the Financial Agreement of 1928—had far-reaching implications, but these were not understood at the time, and, in the absence of a strong opposition, most electors accepted their leaders' assurances that it was non-contentious. Again, compulsory voting—a speciously democratic measure—strengthened the negative vote. Judging by the polls at elections and referendums before voting was compulsory, it seems that about 25 per cent. of the voters on March 6 went to the booths simply to escape fine.

Citizens were not asked to remove a flaw in the constitution in order that it might be made an efficient instrument of government for all purposes. They were asked to preserve a system of subsidies to the primary producer. Many of them did not know they had given support to such a system in the past. Instead of being regarded as a question whether the Commonwealth Parliament should have power to enact whatever legislation might be desired concerning marketing, the issue tended inevitably to be whether or not marketing schemes were desirable. And

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many people who had no objection to the controlled marketing of dried fruits and butter were fearful of the possible results of an extension of government interference.

Moreover, the precise legal effect of the proposal was not easily understood by the bulk of the electors, who, after all, are not lawyers. The general level of political education of Australians is fairly high. They understand in a broad sense many of the problems that result from the division of legislative powers necessary in a federal system. The marketing amendment, however, proposed to qualify in favour of the Commonwealth the constitutional prohibition against interference with the freedom of trade, commerce and intercourse between the states. It was not easy to determine the precise limits to which this amendment would extend the powers of the Federal Parliament. What interpretation the Court would place on the word "marketing" was not known. There was no live issue. Many people who were ignorant, and more who were uncertain, decided that "safety first" indicated a negative vote.

But lack of knowledge and lack of interest alone do not account for the defeat of the proposal. Many intelligent, well informed and patriotic citizens, who felt that already there is in Australia too much state control of individual enterprise, voted "No". Some influential organisations, among them the Sydney Chamber of Commerce, advocated a "No" vote. And a number of city workers were no doubt influenced by the New South Wales Labour party propaganda, which asserted that the purposes as well as the effect of marketing schemes were to give the Londoner cheaper butter and other commodities at the expense of the Australian consumer—omitting to add for the benefit of the Australian producer. These allegations were supported in the New South Wales Labour press by hints at a sinister imperialist design.

Another factor was the anti-federal attitude that has grown up in the last decade. In all federations it seems

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that there is an ebb and flow between state loyalty and national loyalty. Now the centrifugal, now the centripetal force prevails. The Swiss and American federations have given abundant proof of this. The inconstant nature of man affords a partial explanation, which changing economic conditions supplement.

Between 1901, when the Commonwealth came into being, and 1914, federal sentiment strengthened. Pride in the new nation, Australia, grew, and attachment to a state was regarded as parochialism. War-time necessities gave the Federal Parliament an ample field for legislation and taxation. War-time sentiment created the "digger", the indivisible Australian type, who might hail from Melbourne or Milparinka, but who was indubitably Australian, and knew nothing of local prejudice when he served the Commonwealth in Picardy or Palestine. By 1920 Australia was, materially and spiritually, one nation. Since then, disintegrating (or centrifugal) forces have strengthened. Comfortably occupying taxation fields that were first entered because of war-time needs, the Federal Parliament has, without express design, been forced into the rôle of an arrogant usurper. The financial needs of the states grew while their financial opportunities diminished. After the slump of 1929, the Commonwealth was able to make a relatively rapid recovery, while the states were left waiting for the slow rise in export prices. Though the Federal Government was economical in expenditure and was considerate to the states, it became the practice for irresponsible state politicians and newspapers in the state capitals—which are the only great cities of Australia—to ascribe all ills to the alleged extravagance of the Federal Government.

In the defeat of the referendum anti-Commonwealth sentiment was equalled by anti-Government feeling. The elector who is not bound to the Labour party by class-consciousness has scant opportunity of telling the Federal Government how much he dislikes some of its actions. While Mr. Lyons is respected everywhere, and deservedly

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retains a great measure of personal confidence, some of his Ministers are unpopular. The trade diversion policy, the book censorship, the exclusion of Mrs. Freer, and the unimpressive record of Ministers during the last two years reinforced the opposition, encountered by any referendum proposal, from people who desire to reject it because they distrust or dislike the Government that sponsors it.

The amendment relating to aviation was submitted to the electors along with the marketing amendment simply to save expense. It proposed to insert "air navigation and aircraft" among the subjects in respect of which the Commonwealth Parliament can legislate. It aroused little controversy, and had it not been coupled with the marketing referendum it might have been carried in all states. Not a few voters recorded a double "no" because their mind took a negative turn on what they considered the major issue.

Aviation would almost certainly have been placed under Commonwealth control had the conquest of the air been achieved before the Australian colonies federated. The regrettable failure of technical improvement to synchronise with political planning deprived the Australian constitution of any express provision for control of aviation. As the states exercise all legal power not definitely granted to the Commonwealth, aviation has become primarily a state matter. The Commonwealth, however, has a limited authority over aviation by virtue of three grants of power given primarily for other purposes. First, s. 51 (vi) gives it control of the defence of the Commonwealth. Some control of aviation, more extensively in war than in peace, must fit in there. Secondly, s. 51 (i), possibly affected by s. 92, gives it control of such aircraft as may be engaged in interstate trade and commerce. Thirdly, international air conventions may be enforced by the Commonwealth under s. 51 (xxix)—external affairs. Air traffic may therefore be regulated by the states, subject to some regulation by the Commonwealth, derived from three

## THE TRADE SETTLEMENT WITH JAPAN

different sources. Here is room for confusion, conflicting rules and litigation. The proposed amendment would have allowed uniformity in the control and regulation of aviation throughout Australia. Its defeat is regrettable.

The argument most used against the proposed amendment was that aviation is a means of transport, with immeasurable potentialities, and that transport is not only an undertaking subject to state regulation, but is mainly a state-owned enterprise. The states of Australia have almost a monopoly of railway and tramway transport and are rapidly acquiring complete ownership of motor-bus transport. The Commonwealth, it was argued, could greatly diminish the value of state-owned transport by encouraging competition by aircraft in the most profitable part of the states' transport business—passenger carriage and parcel transport. This argument, however, probably did not convince many. Those who voted against the aviation amendment probably did so for the most part either because they were predisposed against any increase of federal powers, or because they regarded the two amendments as two measures of one Government any proposals of which they had been taught by irresponsible propaganda to distrust.

### II. THE TRADE SETTLEMENT WITH JAPAN

THE difficulties that arose between Australia and Japan from the "trade diversion" policy put into force by the Commonwealth Government in May 1936 have already been described in two articles in *THE ROUND TABLE*.\* The second of these brought the story down to October last, when the Japanese were still refraining from buying wool, wheat, and flour in the Australian market, and each country was still, in effect, prohibiting wide ranges of imports from the other.

\* No. 104, September 1936, p. 843; and No. 105, December 1936, p. 206.

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Each appeared to expect that the other's hands would be forced by the facts of the situation: Australia, that the Japanese textile industry would exhaust its supplies of wool; Japan, that Australian growers of wool and wheat, faced with depressed prices, would insist that the Commonwealth Government seek a settlement.

Whatever may have caused the settlement that was reached late in December, it does not seem to have been public pressure on the Commonwealth Government from growers of wool and wheat. Although both industries had been seriously alarmed by the consequences of the Government's action, their leaders, while privately making some strong protests, complied with the Prime Minister's request to refrain from any public criticism that might embarrass the Government in its negotiations. The whole incident, indeed, has had no more remarkable feature than the confidence it has shown that Mr. Lyons enjoys.

The Commonwealth Government was fortunate also in the increased demand for both wool and wheat that showed itself within a few months after the Japanese ceased to buy. Wheat has risen to 5s. (Australian currency) and upwards a bushel, a higher price than at any time since 1930; and by November the price of wool was well above the average of the 1935-36 season. Before setting out the terms of the settlement, it will be convenient to recall the extent of the trade in the commodities that were most affected by the trade diversion policy.

In 1935-36, Australia's imports from Japan totalled about £6,200,000 (values throughout are in Australian pounds), of which rayon piece-goods accounted for £1,750,000, and cotton piece-goods £1,100,000. Australian exports to Japan reached the unprecedented total of £17,600,000, of which £14,600,000 represented wool, and £2,000,000 wheat and flour.

The quantities of piece-goods imported from Japan in the calendar year 1935 were 66 million square yards of rayon

## THE TRADE SETTLEMENT WITH JAPAN

and 86 million square yards of cotton. During the abortive negotiations in April and May last year, the Commonwealth proposed to reduce the annual quantities to be imported to 30 million square yards of rayon goods and 30 million of cotton goods, with proportionate upward adjustment if Australia's total imports increased. Japan insisted upon retaining 90 per cent. of the rayon figure, with no restriction on cotton piece-goods and no alterations in the duties on these items. Further—and this was a point that had considerable influence in hardening Australian opinion in favour of the Government when Mr. Lyons made it public in his broadcast at the end of June—the Japanese Government in effect told the Commonwealth Government that useful discussions upon the import of textiles could take place only when Australia had given Japan a share of the market for other goods now enjoyed by goods of British origin.

The settlement reached at the end of December is to regulate the trade in raw wool and textiles until June 1938. Discriminatory restrictions on other imports are removed in both countries. During the period of eighteen months Japan is to admit 800,000 bales of Australian wool (that is to say, at the rate of about 530,000 bales a year, which is roughly the amount sold by Australia to Japan in 1934, but 30 per cent. less than in 1935). Australia is to admit 51 million square yards a year of rayon piece-goods and the same quantity of cotton piece-goods. In addition, 18 million square yards a year of calico for making bags will be admitted. Total imports of rayon and cotton from Japan will thus be about 120 million square yards a year, which is roughly the amount imported in 1934, but some 20 per cent. less than in 1935. Substantially lower duties on these products are to be levied in Australia.

Briefly, the settlement may be described as a return to the trade of 1934; but in comparison with the trade of 1935 this means a proportionately much greater loss to Australia in exports of wool than to Japan in exports of

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cotton and rayon.\* If total imports of textiles by Australia are maintained at the figures of 1935, there will be available to Great Britain and competing foreign countries a market for about 160 million square yards of rayon and cotton goods.

Japanese buyers immediately began to operate at the January wool sales in Australia, and wool rose about 13 per cent. above the December prices. In both countries there was a feeling of relief at the settlement. Although the trade diversion policy did not appear to produce in Japan the bad relations that had been feared in Australia —the Japanese have had many experiences of obstacles raised against their trade by other countries, of which the Australian restrictions were by no means the severest—it was felt in Australia that it was unwise to continue to run the risk of active unfriendliness with so near a neighbour. To the Commonwealth Government the settlement was very welcome. It had had undeserved good fortune in the rise in the prices of wool and wheat, but if they had fallen back, and a settlement had still not been reached, it might have had to face an increasingly hostile public opinion at the approaching general election.

### III. WOOL PUBLICITY AND PROSPECTS

**A**BOUT ten years ago an officer of the Department of Scientific and Industrial Research in London, visiting Australia, drew attention to the possibility of future competition with wool from fibres produced by chemists. That had already been the fate of another important textile product, natural silk. In recent years artificial silk, or rayon, has made great inroads into the market for natural silk, and to a smaller extent into that for cotton. It

\* During the six months July to December 1936, for the greater part of which each country's restrictions were in operation, Australian exports to Japan amounted to a little more than £500,000 compared with over £8,000,000 in the same period of 1935; whereas Japanese exports to Australia dropped only from £3,300,000 to £3,100,000.

## WOOL PUBLICITY AND PROSPECTS

has now also become clear that the growing production of staple fibre may affect the consumption of wool.

Chemically, staple fibre is much the same as rayon, both being made from wood pulp. The cellulose in the wood is dissolved, the solution being forced through minute holes or spinnerets, and forming as it solidifies tiny smooth-faced filaments. As these come from the spinnerets the filaments are twisted into threads, and the threads in turn are spun into a filament yarn, which is finally woven into the artificial silk or rayon materials. During the world war, the process was developed in Germany under the trade name now known as "Vistra", which is practically the same as what is called "staple fibre" in England. The process for staple fibre is only slightly different from that for rayon.

Fabrics made of staple fibre wear reasonably well, and are pliable and soft. The yarn has a soft glowing lustre and takes dyes well. It also imparts softness and good draping qualities to fabrics. However, staple fibre yarn is not as elastic as wool; for the molecular structure of wool is quite different from that of cellulose, and gives it warmth and elasticity.

World production of rayon increased from 190,000,000 lbs in 1925 to about 1,022,000,000 lbs in 1936. The production of staple fibre, little known before 1930 (although it was discovered some fifty years ago), has risen to about 259,500,000 lbs in 1936. The total world production of clean-scoured wool is approximately 1,700,000,000 lbs. While the production of staple fibre is thus still a long way below that of wool, if the former continues its present rate of increase it may soon loom as a serious competitor to Australia's main product. Australia's annual production of wool is approximately 460,000,000 lbs, clean-scoured. It is possible that staple fibre will gradually come to be used in conjunction with wool, thus producing a wider range of materials and mixture of cloths. This, however, may largely depend upon the price of wool and

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the extent to which the complementary use of the two fibres can be developed by research and publicity.

The subject was discussed at the Empire Wool Conference in Melbourne in 1931, when it was agreed that a publicity campaign was desirable; but no organisation on comprehensive lines was undertaken, except for the holding of "Wool Week" campaigns each year in the different states. In England some similar publicity has been carried on, and the wool trade subscribes regularly to research for the purpose of finding new uses for wool. In 1935, representatives of manufacturing interests in Great Britain, in conjunction with certain Australian pastoral interests in London, arranged for an expert to visit Australia to explain to pastoralists the effect of the growing competition of staple fibre.

The mission visited Australia in April 1936, and later that year, at the request of the Australian woolgrowers, the Commonwealth Government passed the Wool Tax Assessment Acts of 1936, which provide for a levy of 6d per bale on all wool produced; the proceeds, which are estimated at about £70,000 per annum, are to be used for wool research and publicity. The Australian Wool Board was constituted to control and administer the funds. This board consists of six members, one from each Australian state nominated by the woolgrowers, and one appointed by the Commonwealth Government.

In South Africa, a compulsory levy had been paid by woolgrowers from 1929 to 1932, when it was temporarily suspended; this levy, which amounted to 1s. per bale of greasy wool, was used for research mainly connected with the improved production of wool. The fund was being administered by the South African Wool Council. In 1936, New Zealand also passed legislation similar to that in Australia, the funds to be administered by the New Zealand Wool Publicity Committee.

A conference was held in Melbourne in January 1937 between delegates from New Zealand and South African

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bodies and the Australian Wool Board, and definite plans were drawn up. It was agreed that a minimum amount of £50,000 per annum would be provided by the three countries to prosecute the research and publicity scheme, the contribution of each to be in proportion to the weight of wool it exports. The plan is to be controlled jointly by the three boards, who have appointed an executive committee; a permanent international secretariat will be stationed in London. It is expected that the wool-growers will have the full co-operation of British wool-manufacturing interests, although up to the present it seems that they have given little assistance. It is possible also that other large wool-exporting countries, such as the Argentine and Uruguay, may later join in the scheme.

Of the two objectives of the campaign, namely, research and publicity, leaders of the wool industry at present tend to emphasise the importance of the former. Much research work into pastoral problems has already been carried out in Australia, New Zealand, and South Africa. On the side of wool manufacture, research work has been carried out for some time by the Wool Industries Research Association at Torridon, Leeds, as well as by a number of leading mills. It is expected that these activities will be extended by subsidies from the new fund.

The publicity section of the work will probably be devoted to the dissemination in wool-consuming countries of scientific facts concerning wool, and the extension of knowledge of new processes, fabrics, and other discoveries resulting from research work. That a well-managed plan of publicity can stimulate consumption is shown by the success of the wool publicity campaign in the United States in 1934 and 1935, although it is probable that, since the latter year, the improved demand for wool has been partly due to general economic improvement.

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### IV. THE AEROPLANE CONTROVERSY

THE Federal Government has ordered forty American (N.A. 16) aeroplanes from the Melbourne factory of the Commonwealth Aircraft Corporation Proprietary Ltd. His company came into existence with government backing following on the decision to build aircraft for defence in Australia. Certain existing companies united to finance it. These included the Broken Hill Proprietary Ltd., Broken Hill Associated Smelters Ltd., and General Motors Holdens Ltd., the last named being connected with United States undertaking. The decision to use American designs was made on the recommendation of the Air Council, advised by experts. The Prime Minister has stated that the adoption of the N.A. 16 was "an interim step" and that the manufacture of a modern British twin-engined type would be undertaken next. The Government had intended to use British designs, but when the time arrived for initial manufacture by the new company there was not available a British type suitable for the requirements both of the air force and of the manufacturers. Criticism has flowed freely. The responsibility for the inclusion of American capital in the Commonwealth Aircraft Corporation has been laid at the door of the Government, without whose guaranteed order the company could not have been formed.

The two most telling points made against the Government are that Empire air equipment should be interchangeable, and that the building company should be all-British in order that the Imperial Government may be willing to place secrets "in its hands. The first point seems incontrovertible, though the advantage to Australia of equipment easily replaced from the United States is not negligible. The second will not bear closer scrutiny. The British Government has announced that it will make available to the Commonwealth secret information relating to aircraft development without any stipulation. Whatever

## NORTHERN TERRITORY ADMINISTRATION

methods are used by Governments to safeguard secret designs or principles of construction, the scrutiny of the share-lists of manufacturing companies is not among them.

The main concern of the public has been to understand the motive of the Government. While most people would prefer a British-built air service, there is no general prejudice against American aeroplanes. Indeed an impression prevails that, as American conditions resemble ours more closely than do British conditions, American planes might perhaps be more satisfactory. The late Sir Charles Kingsford Smith always preferred an American machine. It is possible that the Government acted hurriedly and without the best advice. None the less the Prime Minister's statement that quick action was vital, and that this necessitated securing the services of the particular company selected and the adoption of an American design, is generally accepted.

### V. THE NORTHERN TERRITORY ADMINISTRATION

PUBLIC attention has been directed to the Northern Territory by the appointment of Mr. C. L. A. Abbott, member for Gwydir in the House of Representatives, to the position of Administrator. A lively stream of newspaper criticism was directed against the suggested appointee and the Government's alleged policy of drift. A Committee of Inquiry into the resources and possibilities of the Territory has been set up, consisting at present of Mr. W. L. Payne, chairman of the Queensland Land Board, and Mr. Fletcher, a well-known Queensland pastoralist. The third member proposed has not so far been appointed. The Committee will probably investigate and report on the locating of lands suitable for cattle, sheep, and agriculture, the carrying capacity of grazing lands, the area for holding and the system of land tenure necessary to encourage settlement, and the requirements for turning settlers' products to the

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best account, such as transport, meat works, and development of ports.

The appointment of Mr. Payne as chairman of the committee has been generally approved. Mr. Payne has a thorough knowledge of the problems attending land settlement in the Gulf country of Queensland, which adjoins the Territory, and has the confidence both of the Queensland Labour Government and of the pastoralists—a unique recommendation. There is a general disposition to trust the Payne Committee and to hope that the new Administrator, informed and fortified by its report, will open a new page in the development of Northern Australia.

Australia,  
April 1937.

## SOUTH AFRICA

### I. THE PARLIAMENTARY SESSION

BY the time these lines are read, the 1937 session of the Union Parliament will have passed into history—they are being written with something like a month's work still to be done. From the point of view of the Government, the session will doubtless be regarded, in retrospect, with mixed feelings. The legislative output promises to be considerable, much of it moreover of real value; yet it cannot be denied that there has been a good deal of disunity and disgruntlement in the ranks of the Government's supporters—even in the Government itself.

Some of the legislation—that of most value—has been non-contentious. General Smuts has been responsible for a very useful new Companies Act. A Children's Bill—a new charter for the children of the Union—has been passed. An unemployment insurance measure has for the first time been enacted by the Union Parliament. The laws regulating industrial relations—the Industrial Conciliation Act and the Wage Act—have been revised and considerably improved. Other measures have proved to be more contentious, and the disputes have sometimes been within the ranks of Government supporters, though they have been more or less skilfully concealed or bridged over. The Aliens Act represented a fairly successful compromise between the liberal and the anti-Semitic elements on the Government side. - The Marketing Act at times threatened to cause a split between its town and country supporters. The Abdication and Coronation Oath Acts gave rise to a good deal of uneasiness among those who felt that they raised issues that might well have been avoided, while the

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King Charles's head of South African politics, the divisibility of the Crown, was frequently brought into the controversy. Each of these measures will be dealt with later in this section.

Even more uneasiness has been caused on the Government side by the cleavage of opinion, which at times became very patent, on questions affecting the relations between South Africans of different races and colours. Both in the Government and in the United party there are quite obviously a liberal and a reactionary wing on these matters, and the differences have been skilfully exploited by the Nationalist Opposition, which has found the appeal to colour prejudice one of the most effective weapons in its armoury. As a result, private members of the United party were led to introduce three provocative Bills dealing with marriages between Europeans on the one hand and Asiatics and natives on the other, with the employment of Europeans by Asiatics, and with the further restriction of the rights of Asiatics to own land. For a time the attitude of the Government was by no means clear on these matters—some of its members expressed their sympathy, in the House or outside: others quite unequivocally indicated their opposition. Eventually, however, the Government as a whole faced up to the position, and declared that it would have nothing to do with any of these measures, though not until public opinion in India had been gravely stirred. The upshot of it all was both to show how delicate the relations between those two members of the Commonwealth—India and South Africa—still are, and to reveal the vulnerability of the Government on questions involving colour prejudice and sentiment. It has overcome the present difficulty, but there can be little doubt that further similar difficulties will arise, and they may not prove as easily surmounted.

## THE ALIENS ACT

### II. THE ALIENS ACT

IN the last number of *THE ROUND TABLE*\* a brief reference was made to the growth of anti-Semitism in South Africa. An organisation known as the Greyshirts, drawing its inspiration from Germany, has been active in the country for several years and has met with a good deal of sympathy, especially in the Afrikaner community. Up to the present the Greyshirt movement has not succeeded in becoming quite respectable, and no prominent politician has yet publicly given it his blessing. A brief survey of the Union's immigration policy will, however, show that the anti-Semitic movement has not been without its influence on the practice of political parties.

The first Union Act dealing with immigration was passed in 1913. As far as Europeans (a term which includes Jews) were concerned, the Act laid down the policy of "the open door": that is, it admitted everyone who was neither a criminal nor likely to become a burden on the community. In 1930, as the result of a relatively large immigration (mainly Jewish) from eastern Europe, the Quota Act was piloted through Parliament by Dr. D. F. Malan, the present Nationalist leader, who was at that time Minister of the Interior in General Hertzog's Cabinet. The Act set a limit to the number of immigrants who would be permitted to enter the Union from eastern Europe, but for the rest maintained the open door. Though the Quota Act did not specifically mention the Jews, it could not be denied that it was directed against them, and it was for that reason that General Smuts, the leader of the old South African party, led his reluctant followers into opposition against the Bill.

The Quota Act achieved its purpose. But when the Nazis came into power in Germany a new situation developed. There took place a large exodus of German Jews. European countries bordering on Germany were willing temporarily to accommodate a considerable number

\* No. 106, March 1937, p. 441.

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of these homeless refugees, but insisted that the majority of them must re-emigrate. Various organisations came into existence to assist them to do so, and it was found that, apart from Palestine, the regions to which emigration could be most hopefully directed were Russia, the United States, South America, the Middle East, and South Africa. In the other countries of the British Commonwealth, including Great Britain herself, immigration laws closed the door almost entirely to aliens. Under these circumstances there has been a considerable increase in the number of Jewish immigrants into the Union since 1932. In that year, owing to the Quota Act, it had dropped to 676. By 1935 it had risen to 1,059, and in 1936 it stood at 3,344, of whom about 2,500 were German Jews.\* It should be noted that the number of British and Dutch immigrants rose simultaneously from 1,274 in 1932 to 3,614 in 1935.

When it became clear that the Jewish immigration figures were rising, an agitation was set on foot in the country; this reached its culmination during the closing months of 1936. And the leaders of the agitation were not the Greyshirt leaders but those of the Nationalist party. A group of professors of the Afrikaner University of Stellenbosch joined in it. Protest meetings were held in many parts of the country, and the most unfortunate and dangerous feature of these meetings, as well as of Nationalist speeches in the subsequent parliamentary debates, was not the demand for the prohibition of Jewish immigration, but the reasons given for the demand. For those reasons indicted all Jews, citizens of the Union no less than foreigners, and bore a close resemblance to the reasons given by the Nazis for the suppression of the Jews in Germany. As Mr. J. H. Hofmeyr put it in Parliament :

Their coming (*i.e.* that of the German Jews) is not a tragedy. The tragedy is that their coming is used as a means of arousing a spirit of anti-Semitism and of creating a new race-hatred.

\* The 1936 total was swelled by the premature arrival, under special circumstances, of 500 German Jews. (See *THE ROUND TABLE*, No. 106, March 1937, p. 441.)

## THE ALIENS ACT

There can be little doubt that the agitation in the country, which did not leave its own supporters unaffected, forced the Government's hand, though Mr. Hofmeyr assured Parliament that the Aliens Bill had been drafted before the agitation reached its culminating stages. This Aliens Bill, which was the Government's reply to the excitement stirred up by the Nationalists, actually passed its first reading before Dr. Malan was given the opportunity of introducing a motion censuring the Government for its neglect in the matter of Jewish immigration. Dr. Malan's motion showed that the Nationalists wanted a law which would, for the first time in the history of this country, specifically name the Jews as prohibited immigrants and debar Jewish aliens \* already here from accepting any paid job without the permission of the Government. The motion was defeated, and Parliament then proceeded to pass the Government's immigration measure.

The Government claims that the Aliens Act has been framed in conformity with the immigration laws of the other States of the British Commonwealth. The Act repeals the Quota Act and gives a Board appointed by the Government an absolute discretion in choosing among would-be immigrants except such as are British subjects *by birth*; it prohibits aliens from changing their occupation during the first three years after their arrival in the Union without the Government's consent; and it forbids anyone to change his name, except where such change is in accordance with well-established custom, unless he has obtained the approval of the Government. Little concern was expressed in Parliament at this extension of bureaucratic interference with what was once prized as the liberty of the subject. The Government congratulated itself on having forestalled a piece of purely racial legislation. Its spokesmen admitted that the new immigration law would be applied primarily against the Jews during the next few years, but they declared that it could, and would, be used

\* An alien requires five years' residence before he can be naturalised.

## SOUTH AFRICA

equally against any other immigrants whose entry was considered prejudicial to the welfare of the Union.

### III. THE MARKETING ACT

THE most freely discussed measure of the session was the Marketing Bill, providing fresh machinery for regulating the marketing of agricultural products. The Bill has now become law, though (like the abortive Bills for prohibiting mixed marriages and the employment of female Europeans by Asiatics) it secured more genuine and wholehearted support from the Nationalist Opposition than from many members of the Government party. The Nationalists—despite their insistence that South Africa must manage its own affairs in its own way to suit its own conditions—have indeed been delighted with this Bill concocted from the more recent legislation of Great Britain, New Zealand, and other countries.

Its main feature is the setting up of a Marketing Council to supervise the preparation and running of "schemes", with the aid—if it cares to call for it—of producers' and consumers' advisory committees. "Schemes" may be initiated for different products and different areas, and must include the setting up of a board to administer a fund financed by a special levy. A scheme may have a number of optional provisions and may give very wide powers indeed to the board, enforced by penal sanctions. Non-European producers will have no voice in any of the schemes, though they will be bound by their provisions.

It says much for the power of abstract reasoning on the part of our members of Parliament that no concrete examples have been discussed, nor has the House been enlightened by any member's showing how the proposed legislation will cover the actual details of any scheme which it is proposed to operate. In the circumstances, it would be idle to prophesy the results of the passage of the Bill. It can only be described as permissive legislation to

## THE ABDICATION AND OATH ACTS

take several steps in the dark, and Mr. Marwick is not alone in his fear that it will provide opportunities for "schemers". We do not even know whether the Department of Agriculture has any schemes up its sleeve.

It is unfortunate that the cleavage of opinion on the Act has come to be regarded as resulting from enmity between town and country; opposition to it is considered as an attack on the farmer. There are many who fear that the Act will so disorganize existing marketing arrangements that price fluctuations will be increased to the detriment of the farmer as well as the consumer. They do not believe the farmer will gain from giving up his freedom and subjecting himself to the onerous rights of search and cross-examination that are to be granted to ensure his compliance with all the schemes for his products. The powers granted to the Minister, the Marketing Council, and the boards under the Act are so wide, however, that it seems unlikely they could ever be fully exercised.

### IV. THE ABDICATION AND OATH ACTS

THE crisis around the Throne has had its repercussions in South Africa in the form of two enactments of the Union Parliament: Act No. 2 of 1937,

To declare the abdication of King Edward VIII and to provide for alterations in the laws relating to the succession to the throne and for purposes connected therewith;

assented to on February 10; and Act No. 7 of 1937,

To provide for an oath by the King as sovereign of the Union; assented to on March 16.

In the protracted debates on these two measures, both the Nationalist and Dominion party Oppositions sought to take advantage of the constitutional issues involved. The former strongly criticised the Government's failure to embody in the legislation an express statement of the fundamental rights implicit in the Union's independent status and of the doctrine of divisibility of the Crown. The

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latter deprecated the measures as the latest of a sequence profoundly altering the constitution, and involving a positive declaration of the rights of secession and neutrality and a complete separation of the functions of the King of Great Britain and the King of South Africa. Whilst Dr. Malan, on the one hand, moved an amendment to the Abdication Bill to include a declaration of the right of secession, the Dominion party on the other suggested a series of amendments to the Coronation Oath Bill defining the Royal Title in terms of the Act of Union and providing safeguards against any whittling of the duty of allegiance owed by a Union national. Their respective criticisms largely cancelled out.

The earlier Act is a logical outcome of the Status of the Union Act of 1934, which, proceeding from the Statute of Westminster, bars from effect in the Union any Act of the British Parliament until it is extended thereto by Union legislation. The British Declaration of Abdication Act could not therefore extend *ex proprio vigore* to the Union. On the other hand, the accession of King George VI was automatically operative in the Union by virtue of Section 5 of the Act of 1934, which defines "heirs and successors" as the King's heirs and successors in the sovereignty of the United Kingdom as determined by the laws relating to the succession of the Crown of the United Kingdom. Consequently, legislation in the Union was necessary only to implement the Union Proclamation of Accession of December 12, 1936, by declaring the facts of abdication and succession, and to amend the rules of future succession. The Union Act follows the British Act in substance, if not in form, apart from adopting December 10 as the effective date of abdication and accession, whereas the latter Act received the Royal Assent on December 11. In the interest of uniformity this difference is to be regretted, particularly as the Union choice would appear to be based on a misconception of the English common law. The Union Government seems to have confused an abdication

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with a normal demise. Although no legislation is legally necessary in the latter event, the total absence of precedent for a voluntary abdication made it impossible to deem the unilateral declaration of an intention to abdicate effective without the concurrence of the Legislature. The difference of date, however, would appear to be of little or no constitutional significance.

The Coronation Oath Act also is nothing more than a reflection of the constitutional change from Empire to Commonwealth which has taken place since the last coronation. The Act requires an oath to be administered the purport of which shall be that the Monarch will govern the people of the Union . . . according to the statutes agreed on in the Parliament of the Union and according to their other laws and customs and that he will cause law and justice in mercy to be executed in all his judgments.

The Act, however, makes provision for agreement with other members of the Commonwealth upon a collective oath, which has in fact now been accepted by the Union Government. The sole objection of merit to the Act is the omission of any reference to a religious obligation, for which it is difficult to find any precedent in Union legislation.

So far as the British Regency Act \* is concerned, the Union Government has decided that there is no necessity for a Union counterpart. The machinery provided in the Dominions by the office of Governor-General is obviously sufficient to meet all but the most extraordinary circumstances, and in any extreme event resort can always be had to *ad hoc* legislation.

### V. THE BUDGET

**M**R. HAVENGA has achieved yet another surplus. Last year he seemed to be a little embarrassed by his credit balance, and disposed of much of it as largesse—for instance to civil servants, who were refunded the amounts

\* See *THE ROUND TABLE*, No. 106, March 1937, p. 257.

## SOUTH AFRICA

previously deducted from their salaries as "depression cuts". This year he has welcomed his surplus with open arms, and he is openly budgetting for a large one in 1937-38.

The revised estimates of revenue collections for 1936-37 amount to £42,550,000, against the original estimate of £37,787,000—an increase of £4,763,000. An excess of the revised over the original estimates is common to most items. Customs and excise have yielded an additional £1,622,000; the post office £457,000; income tax about £1,147,000; and death duties £506,000. Almost the only revenue item to fall notably behind the original estimate is native taxation. The revised estimate is £762,000, against an original estimate of £800,000—perhaps one indication among many of a tendency towards an increasingly unequal distribution of wealth in the Union.

The revised estimate of expenditure from revenue is £37,550,000, a net decrease of £107,026 on the original estimate. The surplus for 1936-37 amounts, then, to approximately £5,000,000. As there are evident signs in the political world of the approach of a general election, there was much speculation regarding what the Minister of Finance would do with still another large surplus to make the most effective political use of it. Mr. Havenga let it be known in advance that he was not going to do anything spectacular; but, in a country where a flair for politics is undoubtedly more common than a flair for finance, it proved difficult for people to take him at his word. There was some astonishment, therefore, when the Minister announced in his budget speech that he was going to utilise his surplus in the first place to repay the £2,849,500 four per-cent. Natal loan which matured this year (a London issue), and to transfer the remainder to the Loan Account.

There can be little doubt of the wisdom of disposing of the surplus in this way—one doubt only, or two at most. Mr. Havenga used very effective arguments against those who saw in his surplus grounds for a great extension of social services. He pointed out that

## THE BUDGET

The decision to grant free services is a decision which involves commitments not only during prosperous years, but for all time. . . . The existence of temporary surpluses is not, by itself, a sufficient reason for undertaking large new permanent commitments. In this connection I would remind hon. members that between 35 and 40 per cent. of our expenditure from revenue funds is devoted to social services, that is to services in respect of which the recipients obtain a direct personal benefit irrespective of their contribution to the revenues of the state. If all the charges for administering these services could be taken into account the percentage would be higher still. In addition considerable sums are spent from loan funds. . . .

He did not specify the amount of loan fund expenditure that should be classified in this way. It would be interesting to discover it; there can be little doubt that its size would be a revelation to most people. The Minister had undoubtedly a strong case for resisting such claims.

He had also strong, if hardly conclusive, arguments against those who favoured drastic reductions of taxation; and the alternative he put forward was to reduce debt and to inaugurate a policy of making large annual transfers from revenue to loan account. The estimates for 1937-38 envisage a further increase of revenue to £43,250,000 and an expenditure of £38,900,000, leaving a surplus of £4,350,000. It is intended to use this surplus to reduce customs duties on petrol, paraffin and transformer oils by 1d a gallon and to make one or two minor reductions in duties, at a cost of £650,000; to abolish urban quit-rents at a cost of £4,000; to devote a further £750,000 to European old age pensioners, as a result of which "5 per cent. of our expenditure on the revenue account will be paid out in cash to 2½ per cent. of our European population, who will also still receive their share of all other services rendered by the state". It was also intended to modify telephone charges at a cost of £67,000, but as many of the beneficiaries looked this gift horse in the mouth and expressed disapproval it seems that the concession will now rest in abeyance. Despite the evident difficulty the natives have in meeting their taxation no reduction is yet in sight

## SOUTH AFRICA

for them, but in future three-fifths instead of two-fifths of the personal tax on natives is to be paid into the Native Development Fund, at an estimated cost of £233,000 to the revenue account in 1937-38.

On the grounds suggested in the last number of *THE ROUND TABLE*,\* a larger allocation of mining revenue is to be made to the loan account. The extra allocation for 1937-38 is estimated at £300,000 from diamonds (government ownership revenue and the export duty on diamonds) and some £800,000 from gold (mining leases). Mr. Havenga is in addition budgetting for a surplus of about £1,500,000, which will be available either for transfer to loan account or for redemption of debt.

If the Minister's *idée fixe* that no major reductions can now be made in the customs tariff without injury to the country can be justified—perhaps a big “if”—he stands on fairly firm ground. But there is a danger that buoyancy in the loan account, just as much as in the revenue account, may breed extravagance in expenditure. It is not certain that we have altogether escaped the danger. The revised estimate for expenditure from loan funds in 1936-37 is £16,200,000 and the preliminary estimate for 1937-38 is about £18,000,000, against £10,092,716 in 1931-32. Despite the redemptions during the year, including that of the Natal loan, the public debt has increased by £6,000,000, and it will again increase next year. In considering this question it is also relevant to bear in mind the Minister's statement, already quoted, on the destination of much of our expenditure from loan funds as well as from revenue. While Mr. Havenga's allocation of his surplus gives him much credit as a sound and cautious financier, it will not necessarily inhibit state generosity. This studiously humdrum budget may prove to be, wittingly or unwittingly, as good an electioneering budget as could have been devised.

Union of South Africa,

April 1937.

\* No. 106, March 1937, p. 346.

# NEW ZEALAND

WHITHER is New Zealand tending? To "the earthly paradise" that the Prime Minister says he and his colleagues are striving to bring about, or to the financial precipice over which critics say the Labour policy of "tax, borrow, and spend"—as the Opposition leader described it—is fast driving us?

## I. THE ADVANCE OF SOCIALISATION

VARIOUS movements point to a progressive socialisation of New Zealand, as ever-growing state services gradually dominate private enterprise and industry. One of the chief of these movements is the government purchase of dairy produce under the guaranteed price system. In his presidential address to the economics section of the Science Congress at Auckland last January, Professor Hytten of Sydney expressed grave doubts about the success of the scheme and its ultimate effect on the economic structure of the Dominion. He quoted the breakdown, under its own weight, of the Paterson butter-marketing scheme in Australia, and went on to say that, if prices take an upward turn next season, it will require a courageous Government to withhold the higher prices from the producers in order to build up a reserve against possible future losses. The taxpayer views with anxiety the prospect of being raked both fore and aft. At present prices the scheme will result in a heavy loss to the Government which he will have to bear. At the New Zealand Dairy Board's meeting on March 17 numerous remits were adopted, almost all without discussion, to the effect that, when the guaranteed price is renewed

## NEW ZEALAND

at the end of the present season, direct retrospective payments should be made for butter-fat on a scale sufficient to cover the increase in costs of production. The Government was further urged to consider raising the guaranteed prices above their present level for the season 1937-38. It looks as if Professor Hytten's forecast may be realised.

Other movements in the same direction include the fixing of prices—for instance, those of imported oranges—and the appointment of specified vendors, the state acquisition of a private marketing concern (the business of Picot Brothers Ltd.), the purchase by the Government of private transport businesses, the active extension of state lending on mortgage through the State Advances Corporation, the building of houses on a scale that may disorganise the building trade, a large increase in the number of public works employees and civil servants, the organisation of all employees, whether manual or clerical workers, into unions, and the imposition of increased taxation for social services. It is only fair to note, however, that in some respects the Government is simply developing the policy of its predecessors.

A table published by the Associated Chambers of Commerce showing the numbers of those dependent on the state suggests how far socialisation has already proceeded in the Dominion. The table indicates that, over the whole population of New Zealand as at December last, (a) one person in every 8 is dependent on state pensions; (b) one person in every 20 is dependent on state trading enterprises; (c) one person in every 30 is dependent on public works expenditure; (d) one person in every 31 is dependent on unemployment sustenance payments. In sum, one person in every three to four of the population of New Zealand is directly dependent on the state. In these estimates, which do not include the employees of local bodies and their dependants, a conservative allowance of only  $2\frac{1}{2}$  persons to a family has been made.

It is too early to appreciate yet the full effect of the

## FREEZING WORKERS' STRIKE

40-hour week, giving us leisure before we have had the previous training needed for its rational enjoyment. There are signs, however, that the boon was perhaps rather premature and that it has given the Government some anxiety, as well as causing considerable inconvenience to the travelling public and those who serve it, to small businesses and to others which need elasticity and not rigidity.

The high wages paid on public works (approximately £1 a day) and the diversion of many workers to them, combined with the general increase of wages, have caused a definite shortage of competent farm labour, notably of youths in the dairy industry. It has been stated by farmers' associations that there have been more women and children working in the milking-sheds than for some years past. The Minister of Public Works characterises the cry of shortage of labour as mere propaganda, but he has certainly been taking men from public works to meet the farmers' needs. The shortage is admittedly accentuated by the lack of adequate accommodation for farm labourers, especially for married men.

The reduction of the hours of labour, the large increase in wages, and the high taxation have had the natural effect of raising costs of production. This has inevitably implied a rise of prices all round, despite the Prevention of Profiteering Act 1936, which made it an offence to sell goods at a price above that ruling on June 1, 1936. There have been no prosecutions for exploitation of the consumer, and in fact the state coal mines have followed the lead of the privately-owned mines in putting up their prices.

### II. THE FREEZING WORKERS' STRIKE

THE stay-in strike at the freezing works at Westfield, Southdown, and Horotiu in the Auckland district, and at the cool stores at King's Wharf, Auckland, together with the manner in which it was settled, has caused considerable anxiety for the future of our industries. Towards the end of 1936 the Arbitration Court issued an award for

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freezing workers, the main provisions of which were a 44-hour week, to be worked on  $5\frac{1}{2}$  days, and a minimum wage-rate of 2s. 1d per hour. The workers were dissatisfied, contending that as the 40-hour week was not being applied to the freezing industry they were entitled to compensation through a higher rate of pay. They also objected to the putting of extra men on what is known as the chain system. A go-slow policy, which reduced the output of the works by about 60 per cent., was adopted in December, and, after an abortive conference with the employers, was again put into force. An ultimatum by the managements that if normal work was not resumed the men would be paid off was met by the first stay-in strike in New Zealand. The cessation of work by some 1,500 men who had been handling dairy produce at the cool stores placed in jeopardy butter and cheese valued at £1,250,000 sterling. There was a danger that dairy factories dependent upon freezing works for the storage of their produce would have to cease operations, with serious results to dairy farmers. The meat industry was also imperilled, though to a lesser degree.

The manager of the Auckland Farmer's Freezing Company Limited asked the police to remove the men forcibly, but instructions were given from Wellington to the local police that the men were not to be interfered with as long as they behaved themselves and did not damage property. The conduct of the men was orderly from first to last. The Minister of Labour (Hon. H. T. Armstrong) urged them to resume work, and telegraphed to the Secretary of the Auckland Freezing Workers' Union :

Government is of opinion that in this small country there is only room for one Government, and, if you have decided upon a show-down, we might not be long in deciding just who is to govern.

The employers stood firm upon the observance of the Arbitration Court's award, and declared that, if the Government would not move, the dairy factories and farmers

## FREEZING WORKERS' STRIKE

would of course have to do something. On January 15, the Government took over the dairy produce that had been allocated for shipment from Auckland but had not been lifted on account of the dispute. Mr. Armstrong thereupon hurried to Auckland to try to arrange a settlement. Meanwhile a special meeting of the Longburn branch of the Wellington Freezing Workers' Union had passed a resolution requesting the Government to remove the present Arbitration Court judge, Mr. Justice Page, and to substitute "someone who could be relied on to safeguard the workers' interests", and demanding "an immediate rehearing of the freezing workers award claims".

When Mr. Armstrong faced the strikers he promised to arrange a conference to negotiate for alterations in the award. If, he added, the alterations which the Government thought should be made were not made, the Government would use its legislative power to introduce them. Mr. Armstrong had already given some indication of his attitude towards the Arbitration Court, when he said last September :

When the Arbitration Court has finished its work, say in a year's time, if any industries have been refused the 40-hour week that ought to have received it, that can be remedied by Act of Parliament without reference to the Court. . . . I hope that the Labour movement will soon be well enough organised to take control of industry and determine what hours shall be worked without reference to any Court.

On Mr. Armstrong's assurance, and on condition that a conference of employers and employees would be held at Wellington, the men resumed work and were soon going full speed ahead. The employers, however, would not entertain proposals either for higher pay or for shorter hours. Eventually Mr. Armstrong, holding that the exceptional circumstances existed which alone would justify his intervening, directed that the workers should hold in abeyance until the expiry of their award next June their claims for a shorter working week and for increased piece-work rates,

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and that as from January 1, 1937, a flat rate bonus of three-pence an hour for all time actually worked, including overtime, should be paid to all hourly workers.

An agreement embodying this increase was signed by representatives of both sides. It began :

The Minister of Labour having directed that the rates of remuneration for hourly workers employed under the terms of the New Zealand Freezing Workers Award be increased, it is hereby agreed that we accede to the Minister's direction. . . .

A *post-hoc* and possibly a *propter-hoc* occurrence has been a notification to suppliers by the Hawkes Bay companies that as from March 1 there will be an additional charge of '025 of a penny per lb on mutton, pork, veal and lamb, '05 of a penny per lb on quartet beef, and a farthing per lb on "feeling" wool, the extra charge covering killing, freezing, and placing f.o.b. Napier.

The general press criticism has been that the Minister has struck at the roots of the arbitration system, and that his action tends to make the Arbitration Court political. It remains to be seen, run the comments, what section of the community will next find a grievance with its conditions of employment and follow the example of the freezing workers, in the hope of being awarded a bonus. Strong protests have been expressed by representatives of farmers' and other employers' unions. The Minister, on the other hand, maintained that he had a precedent for his action in a similar step taken by the Massey Government in 1916, though it could be retorted that this was a necessary war measure.

The Dominion Executive of the New Zealand Farmers' union, at a meeting held in Wellington on February 23, after expressing an emphatic protest against the action of the Government and the Minister, resolved :

(i) That the additional cost involved be met out of the Consolidated Fund or else by payment to the farmers of an increased price to compensate them;

(ii) That the Dominion executive convene a conference of

## HOUSING AND OTHER PROJECTS

representatives of all primary producers' organisations and concerns engaged in the processing of primary produce for export to consider the situation created by the result of the recent illegal strike by the freezing workers in Auckland, and what steps can be taken to meet a future emergency.

Similar protests have been recorded by other representative bodies of primary producers.

### III. HOUSING AND OTHER PROJECTS

THE keenest critic of the Government cannot fairly withhold admiration for the sincerity, the energy, enterprise, courage, and idealism of the Labour Ministers, for their faith in the power of legislation to control the operation of the laws of economics, or for their confidence in the perennial flow from those three springs of finance, the Reserve Bank, the thrifty lender, and the taxpayer. Whatever one may think of the Government's humanitarian policies, it must be recognised that Ministers are actuated by no sordid or political motives, but by a natural philanthropy in which sympathy is apt to stifle economy. They have shown a very active and practical interest in education, scientific research, arts, and literature. Their recognition of poets and authors by honours and pensions has been a new and welcome feature in our political life. No previous Government has a record comparable for breadth of vision, for the magnitude and infinite variety of its schemes, and for rapid translation of ideas into action.

Having provided during the last session for the scaling down of mortgages, and having set commissions to work all over the country adjusting debts, they are now formulating their schemes of national superannuation and health insurance for submission to the next session of Parliament. The Prime Minister has declared that there is no intention of "smashing" existing superannuation institutions. "Those who are contributing to existing funds," he said, "will have the option of coming into the state scheme if they wish to do so, but there will be no compulsion in their

## NEW ZEALAND

case." Other enterprises that the Government is undertaking include the purchase of Flock House station, comprising 8,261 acres, from the trustees of the New Zealand Sheep Farmers' Acknowledgment of Debt to British Seamen Fund. This venture has been established for thirteen years, and over 1,000 boys (mostly sons of British seamen) have been trained there. It is to form an integral part of the educational system of the Dominion, "so that every suitable boy who desires to make a living on the land shall be given an opportunity of receiving a thorough grounding in practical and theoretical farm work before entering into employment".

Still further schemes envisaged include educational reform on a large scale, the reform of the local government system by the amalgamation of redundant local bodies,\* the formation of a bureau of social science to assist the Government in basing their social policy on scientifically established facts, and of a National Sports Council for the better control and co-ordination of the Dominion's sports, the establishment of a Conservatorium of Music and the Spoken Arts in connection with the radio system for the training of New Zealand artists, the erection of many public buildings, the engagement of a highly paid editorial board of three to write the history of the provinces of New Zealand, the improvement of the maternity and district nursing system, the construction of funicular railways for winter sports, and the development of tourist routes and roads. For the present, however, the Government's hands are pretty full with its Bills for Parliament and its housing project.

The latter is the latest big scheme to come into operation and into the fire of the critics. The Minister of Finance, when referring to the power given to the Minister by the Finance Act (No. 2) of 1936 to borrow £5,000,000 for housing purposes, said that "plans were in course of preparation to provide for the construction of 5,000 houses

\* See *THE ROUND TABLE*, No. 106, March 1937, p. 464.

## HOUSING AND OTHER PROJECTS

at a cost of approximately £3,000,000". Now, however, the Government proposes to spend five millions on houses during the project's first year, including three millions of new money created by the Reserve Bank. Of that total, £3,500,000 is to be spent by the state, the balance being available for lending to local bodies for their own housing projects at 3 per cent. interest. Mr. Nash's calculation seemed to involve a cost of only £600 per house without the land, while the Minister of Labour asserted that the houses would not cost more than £700. Mr. Nash and Mr. Savage anticipated that the cottages would be let to workers for 12s. 6d to 17s. 6d a week.

The Government is actively carrying out its scheme. It requested the New Zealand Institute of Architects to prepare designs for houses varied in character and construction, had quantity schedules prepared by "the most reputable firm of quantity surveyors \* in New Zealand", and called for tenders on the schedule rate system. It has erected joinery works near Wellington and Auckland, and has bought and is buying blocks of land in or near the main centres and in the secondary towns for the erection of groups of houses. It seems to be acquiring the land at reasonable figures. In the first Auckland instalment of the scheme, in the Orakei block, the Government invited tenders for the erection of one group of 91, another of 87, and 34 single houses, thus giving an opportunity for the small builder to tender.

The successful tenderer for the supply of joinery in both the Auckland and the Wellington districts is the Fletcher Construction Company Ltd. It was also the successful tenderer for one of the large groups of houses in the Wellington district, for the groups of 91 and 87 houses and for 30 out of the 34 single houses in the Orakei block, being the lowest tenderer by a substantial margin in each case. It was doubtless with this probable result in view

\* Experts in estimating the quantities of materials used in erecting buildings.

## NEW ZEALAND

that the Hutt Valley Master Builders' Association maintained that the whole scheme was designed to play into the hands of monopolistic construction companies. While the Prime Minister has declared that, although he cannot state the exact figures of the contracts, the rents to be charged for the new houses will compare more than favourably with those charged to-day, there has been much criticism of the scheme. As the *Evening Post* (Wellington) pointed out on February 8 :

The cost of the houses has not been stated nor has any information been made available to show how the rental will be calculated, what interest will be paid (if any) on the credit issue, what depreciation allowed and what provision made for loss of rent and other incidentals that the private landlord must face. This information should be given, for the housing is competitive with private enterprise in both building and letting dwellings, and the public should be shown that the competition is fairly based. Otherwise it simply means that public money is being used to undercut the private builder and the private landlord. The latter would then be compelled (through taxation) to bear part of the loss incurred by the State in competing with them.

It has been suggested that the resources of the Dominion in organisation of men and materials are inadequate to cope with operations on such a gigantic scale. Another criticism is that the Government is building at a time of rising costs, caused partly by its own legislative policy and partly by advances in the prices of materials overseas; it is said that the advantage of mass production is more than offset by the recent increase of building costs by at least 30 per cent.

The *Dominion* (Wellington), an Opposition journal, attacked the scheme in its issue of February 10 as a big step forward in socialisation.

Is the small master builder to be sacrificed to mass production, in the same way as the small joinery manufacturer is threatened by the establishment of State joinery factories? If so, the policy must be assumed to be general. As it applies to builders so it is likely to be applied also to butchers and bakers and grocers and farmers: the small man will be pushed to one side—

## IMMIGRATION

ultimately pushed out by the ruthlessness of large-scale State-abetted competition. And then, what? An easy step to complete nationalisation. The Government is never tired of calling itself the small man's friend; but when the small man's business stands in the way of socialisation, he will get precious short shrift.

### IV. IMMIGRATION

PERHAPS no subject has occupied so much space in leading articles, lectures, and letters to the newspapers during the past quarter as immigration. The Australian and New Zealand Association for the Advancement of Science, at its congress at Auckland in January, devoted considerable attention to the subject, stress being laid on the difficulties with which large migration schemes were surrounded. Chambers of Commerce have also been discussing it, and the Council of the Auckland Chamber of Commerce recommended an urgent enquiry by the Government.

Several vigorous pamphleteers and public speakers have urged us to "Populate or Perish", and the Hon. W. E. Barnard, Government member for Napier and Speaker of the House of Representatives, concerned for the plight of New Zealand in the future for lack of people, has been touring the country forming branches of a "Five Million Club". The club stands for a carefully planned immigration scheme, involving a considerable measure of government control, with the object of bringing our population up to that number. But Labour in general takes a shorter view and opposes the influx of competitors even though they are also consumers. The attitude of the present Government was thus described by the *Press* (Christchurch):

At the beginning of their term of office, certain members of the Government spoke as though the resumption of assisted migration on a large scale was an immediate possibility. From this attitude they have been steadily retreating; and Mr. Nash's latest utterances on the subject have been profoundly discouraging. One indication of the reasons for this change can be seen in the protest which has been made by the Amalgamated Society of

## NEW ZEALAND

Carpenters and Joiners against the attempt to enrol carpenters and joiners in England for work in New Zealand. It is obvious that if the Government's migration policy is to be dictated by the unions, it will continue to be a policy of pious aspirations.

This comment was borne out by the Prime Minister's declaration on January 26 :

The real secret of success in immigration is to make a country so prosperous that people want to come out in order to share its prosperity. When conditions are right in New Zealand people will not hesitate to come out and bring new capital with them, whether the sum be large or small.

### V. DEFENCE

So far as defence is concerned the Government is pinning its faith to protection by air. As a result of the first report from Wing-Commander the Hon. R. A. Cochrane (lent to New Zealand by the United Kingdom Government) his engagement has been extended for two years; during that time he is to undertake the reorganisation of the air force of the Dominion and to make a comprehensive survey of the system of military aviation in New Zealand, with a view to the early development of air defence on the best possible lines.

On March 16 the Minister of Defence released an important account of the lines upon which the development of our air force will take place. An Air Board, on which civil aviation will be represented, will be set up to control the Royal New Zealand Air Force and to co-ordinate matters common to service and civil flying. The necessary legislative powers will be sought during the coming session. An air force headquarters will be formed in Wellington on April 1 and the names of officers filling the chief appointments will be announced shortly. The programme contemplates the formation of two operational squadrons, equipped with the latest type of aircraft. Surveys of suitable localities are proceeding for new defence aerodromes, which will take from 18 months to 2 years to

## DEFENCE

complete. Hobsonville, near Auckland, will be organised and enlarged as required as a repair centre. Wigram, near Christchurch, will be developed as a flying school for the training of pilots; concentrated attention is being given to the formation of this school in order that the first course may be started in May and approximately 50 pilots a year trained.

Apart from the permanent and territorial units of the Royal New Zealand Air Force, it is proposed to build up a reserve of trained pilots, who will be obtained from two sources: first, from amongst those who have already completed a short service commission in one of the air forces of the Empire, and, secondly, by the direct enlistment and training in New Zealand of personnel with no previous flying experience. Suitable candidates will be given an eight months' course of flying training and will then pass direct to the reserve, where their only liability in peace time will be a fortnight's refresher training each year. The reserve will provide a pool of pilots capable, in the event of attack, of taking their places in air force units, and a source of recruitment for the growing needs of civil aviation.

Short-service commissions are offered in the Royal Air Force and the Royal New Zealand air force. By an agreement with the British Air Ministry, a number of short-service commissions in the Royal Air Force—for the present to be limited to 40 a year—will be offered to New Zealand candidates. The length of the commission is at present fixed at four years, including the initial period under training. Two methods of entry will be available. Under the first, candidates will be selected in New Zealand and their passages paid to the United Kingdom, where they will report to the Air Ministry and be posted to a suitable unit for training. In the second scheme, candidates will be selected and also trained in the Dominion, and will then be given passages to the United Kingdom, where they will join a Royal Air Force squadron. These two schemes

## NEW ZEALAND

will in future provide the only means by which New Zealand applicants can join the Royal Air Force. A request for applications to fill 20 vacancies under these two schemes will shortly be issued.

The 70 additional pilots required by the Royal New Zealand Air Force during the next two years will be obtained partly from those who have completed a short-service commission in the Royal Air Force, partly from candidates who will be entered direct from civil life and trained at Wigram, and partly by selection from within the ranks of the Royal New Zealand Air Force. Commissions will normally be offered for a limited period, with the dual object of building up a reserve for service and civil aviation, and of ensuring that those officers who are awarded permanent commissions can be offered a career which provides adequate prospects of promotion. It is intended that permanent commissions shall be offered to selected officers who have completed a short-service commission, but exceptions may be made where specialist qualifications are required.

A scheme is being formulated in consultation with the aero clubs for the formation of a civil reserve of pilots. The skilled mechanics required for the scheme will be trained either in the Dominion or, if no facilities exist here, in the United Kingdom or Australia. There are to be sections for wireless operators and for air gunners. The full scheme will require three years for its completion.

In an interview the Minister of Defence stated it was very likely that New Zealand would take full advantage of the Commonwealth Government's plans for the modernisation of Australian munition factories. New Zealand would probably buy aeroplanes from Australia, when the Commonwealth was in a position to supply her, if Great Britain could not fill her orders.

Major-General Sir Andrew Russell, who was the general officer commanding the New Zealand Division on the

## DEFENCE

Western front, speaking recently to the Napier Rotary Club, described New Zealand as the weakest link in the imperial chain. He considered that the country should be equipped with an air force sufficient to deal with raids, and that in addition about 500 highly trained pilots should be at the disposal of the imperial defence authorities. We should be prepared, he said, to send an expeditionary force of between 3,000 and 4,000 men and a number of mounted men in the case of trouble in the Near East, for instance over Palestine; if the Mediterranean were closed, they would be able to enter by the back door. But the Government, judged by its present attitude, is not likely to provide for the necessary specialised training of our territorial force, "of which to-day there remains but a skeleton" and which cannot be improvised.

A deputation from the National Peace Council asked the Prime Minister for the repeal of the compulsory service clauses on the statute book. They are now in abeyance and relate only to training and to service in the territorials or militia—it is specially provided that no territorial shall be sent out of New Zealand without his consent. In his reply Mr. Savage showed himself both an idealist and an optimist. He expressed his hope "that the days of war are over and that a real civilisation is near". New Zealand's peace proposals, he said, which had been described as the most statesmanlike ever placed before the League of Nations, would be discussed at the Imperial Conference. The peoples of the earth, were a vote taken, would be overwhelmingly against war, but they were in danger of being pushed into it. Mr. Savage said that the Government was opposed to conscription in all its forms, and he was looking forward to raising the physical qualities of young men and women in other ways than by compulsory military training. When national superannuation and health services had been attended to we could, he said, "consider other matters. We want to put our people in possession of a country which they will *defend automatically*,

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but at the same time we are working towards peace". It is to be hoped Mr. Savage will return from the Imperial Conference with a keener realisation of the dangers the Empire has to face, and of the necessity for something more than "automatic" defence.

New Zealand,  
March 1937.

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